
Westpack A/S

Sletten 21, DK-7500 Holstebro

Annual Report for 1 May 2022 - 30 April 2023

CVR No 26 21 14 25

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
27/6 2023

Jesper Berg Folke
Chairman of the General
Meeting



Contents

	<u>Page</u>
Management's Statement and Auditor's Report	
Management's Statement	1
Independent Auditor's Report	2
Management's Review	
Company Information	5
Financial Highlights	6
Management's Review	7
Financial Statements	
Income Statement 1 May - 30 April	8
Balance Sheet 30 April	9
Statement of Changes in Equity	11
Cash Flow Statement 1 May - 30 April	12
Notes to the Financial Statements	13

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Westpack A/S for the financial year 1 May 2022 - 30 April 2023.

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 30 April 2023 of the Company and of the results of the Company operations and cash flows for 2022/23.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

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

Holstebro, 27 June 2023

Executive Board

Morten Dalsgaard Nielsen

Board of Directors

Martin Stephan Welna
Chairman

Caroline Lundgaard Jensen
Deputy Chairman

Morten Dalsgaard Nielsen

Klaus Wätzold Madsen

Independent Auditor's Report

To the Shareholders of Westpack A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 30 April 2023 and of the results of the Company's operations and cash flows for the financial year 1 May 2022 - 30 April 2023 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Westpack A/S for the financial year 1 May 2022 - 30 April 2023, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement 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.

Statement on Management's Review

Management is responsible for Management's Review.

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

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

Based on the work we have performed, in our view, Management's Review 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 in Management's Review.

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 misstate-

Independent Auditor's Report

ment, 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.
- 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

Independent Auditor's Report

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.

Holstebro, 27 June 2023

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Poul Spencer Poulsen
statsautoriseret revisor
mne23324

Daniel Mogensen
statsautoriseret revisor
mne45831

Company Information

The Company

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DK-7500 Holstebro

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Website: www.westpack.com

CVR No: 26 21 14 25
Financial period: 1 May - 30 April
Municipality of reg. office: Holstebro

Board of Directors

Martin Stephan Welna, Chairman
Caroline Lundgaard Jensen, Deputy Chairman
Morten Dalsgaard Nielsen
Klaus Wätzold Madsen

Executive Board

Morten Dalsgaard Nielsen

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Hjaltensvej 16
DK-7500 Holstebro

Financial Highlights

Seen over a five-year period, the development of the Company is described by the following financial highlights:

	2022/23	2021/22	2020/21	2019/20	2018/19
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Gross profit/loss	85.539	96.413	69.138	58.295	57.298
EBITDA	54.489	63.853	42.186	32.422	31.673
Operating profit/loss	47.314	56.724	36.903	28.295	28.503
Profit/loss before financial income and expenses	47.314	45.315	36.149	28.325	28.662
Net financials	-4.154	-1.415	-2.240	549	1.113
Net profit/loss for the year	33.945	31.805	26.497	22.606	23.399
Balance sheet					
Balance sheet total	150.486	165.560	107.462	104.892	99.950
Equity	95.462	61.513	50.892	50.157	49.159
Cash flows					
Cash flows from:					
- operating activities	50.157	-5.330	41.427	31.101	20.392
- investing activities	-9.538	-4.278	-11.554	-8.446	-4.267
- financing activities	-22.605	1.833	-30.659	-21.084	-23.216
Change in cash and cash equivalents for the year	18.014	-7.775	-786	1.571	-7.091
Number of employees	148	142	117	103	87
Ratios					
Return on assets	31,4%	27,4%	33,6%	27,0%	28,7%
Solvency ratio	63,4%	37,2%	47,4%	47,8%	49,2%
Return on equity	43,2%	56,6%	52,4%	45,5%	47,8%

Management's Review

Key activities

Westpack A/S develop, market and sell quality packaging and accesories for the jewellery, watch and glasses trade.

Development in the year

The income statement of the Company for 2022/23 shows a profit of TDKK 33,945, and at 30 April 2023 the balance sheet of the Company shows equity of TDKK 95,462.

The past year and follow-up on development expectations from last year

Profit for the year was at same level as last year and meets the expectations as described in the annual report for 2021/22. The profit for the year is considered satisfactory.

Foreign exchange risks

It is company policy to cover special risks relating to currency as well as possible. Currency risks are covered via currency forwards. The profit for the year is considered satisfactory

Targets and expectations for the year ahead

In 2023/24, increasing activity is expected in both revenue and earnings growth of approx. 0-10%

External environment

During the year, the Company has on a current basis invested in reducing the environmental impact and has through these investments achieved minor energy consumption savings. The Company will keep its focus on this.

Uncertainty relating to recognition and measurement

Recognition and measurement in the Annual Report have not been subject to any uncertainty.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income Statement 1 May - 30 April

	Note	2022/23	2021/22
		TDKK	TDKK
Gross profit/loss		85.539	96.413
Distribution expenses	1	-21.997	-23.081
Administrative expenses	1	-16.228	-16.608
Operating profit/loss		47.314	56.724
Other operating income		0	239
Other operating expenses		0	-11.648
Profit/loss before financial income and expenses	2	47.314	45.315
Income from investments in subsidiaries	3	678	479
Financial income		427	294
Financial expenses		-5.259	-2.188
Profit/loss before tax		43.160	43.900
Tax on profit/loss for the year	4	-9.215	-12.095
Net profit/loss for the year		33.945	31.805

Balance Sheet 30 April

Assets

	Note	2023 TDKK	2022 TDKK
Software		631	1.338
Development projects in progress		322	0
Intangible assets	5	953	1.338
Plant and machinery		14.619	10.565
Other fixtures and fittings, tools and equipment		3.109	3.966
Prepayments for property, plant and equipment		1.580	2.030
Property, plant and equipment	6	19.308	16.561
Investments in subsidiaries	7	5.375	5.174
Fixed asset investments		5.375	5.174
Fixed assets		25.636	23.073
Inventories	8	84.823	99.184
Trade receivables		30.349	37.314
Other receivables		112	903
Prepayments	9	2.003	2.027
Receivables		32.464	40.244
Cash at bank and in hand		7.563	3.059
Currents assets		124.850	142.487
Assets		150.486	165.560

Balance Sheet 30 April

Liabilities and equity

	Note	2023 TDKK	2022 TDKK
Share capital		1.000	1.000
Reserve for net revaluation under the equity method		4.279	4.078
Retained earnings		54.183	56.435
Proposed dividend for the year		36.000	0
Equity		95.462	61.513
Provision for deferred tax	11	2.159	2.578
Provisions		2.159	2.578
Lease obligations		498	741
Long-term debt	12	498	741
Credit institutions		332	13.842
Lease obligations	12	244	240
Prepayments received from customers		4.464	5.029
Trade payables		16.159	21.616
Payables to group enterprises		3.774	26.141
Corporation tax		9.254	11.307
Other payables		18.140	22.553
Short-term debt		52.367	100.728
Debt		52.865	101.469
Liabilities and equity		150.486	165.560
Distribution of profit	10		
Contingent assets, liabilities and other financial obligations	15		
Related parties	16		
Accounting Policies	17		

Statement of Changes in Equity

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Proposed dividend for the year	Total
	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 May	1.000	4.078	56.435	0	61.513
Exchange adjustments relating to foreign entities	0	-477	0	0	-477
Fair value adjustment of hedging instruments, beginning of year	0	0	720	0	720
Fair value adjustment of hedging instruments, end of year	0	0	-103	0	-103
Tax on adjustment of hedging instruments for the year	0	0	-136	0	-136
Net profit/loss for the year	0	678	-2.733	36.000	33.945
Equity at 30 April	1.000	4.279	54.183	36.000	95.462

Cash Flow Statement 1 May - 30 April

	Note	2022/23 TDKK	2021/22 TDKK
Net profit/loss for the year		33.945	31.805
Adjustments	13	20.544	19.638
Change in working capital	14	12.377	-47.716
Cash flows from operating activities before financial income and expenses		66.866	3.727
Financial income		428	294
Financial expenses		-5.314	-2.129
Cash flows from ordinary activities		61.980	1.892
Corporation tax paid		-11.823	-7.222
Cash flows from operating activities		50.157	-5.330
Purchase of intangible assets		-411	-464
Purchase of property, plant and equipment		-9.127	-3.814
Cash flows from investing activities		-9.538	-4.278
Reduction of lease obligations		-239	-236
Repayment of payables to group enterprises		-22.366	0
Raising of loans from group enterprises		0	23.269
Dividend paid		0	-21.200
Cash flows from financing activities		-22.605	1.833
Change in cash and cash equivalents		18.014	-7.775
Cash and cash equivalents at 1 May		-10.783	-3.008
Cash and cash equivalents at 30 April		7.231	-10.783
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		7.563	3.059
Overdraft facility		-332	-13.842
Cash and cash equivalents at 30 April		7.231	-10.783

Notes to the Financial Statements

	<u>2022/23</u>	<u>2021/22</u>
	TDKK	TDKK
1 Staff		
Wages and Salaries	61.981	61.198
Pensions	4.807	4.289
Other social security expenses	1.696	1.517
Other staff expenses	2.050	2.737
	<u>70.534</u>	<u>69.741</u>
Wages and Salaries, pensions, other social security expenses and other staff expenses are recognised in the following items:		
Cost of sales	49.698	48.544
Distribution expenses	12.786	13.533
Administrative expenses	8.050	7.664
	<u>70.534</u>	<u>69.741</u>
Including remuneration to the Executive and Supervisory Boards	<u>3.849</u>	<u>4.583</u>
Average number of employees	<u>148</u>	<u>142</u>
2 Special items		
Transaction-related costs	0	11.648
	<u>0</u>	<u>11.648</u>
3 Income from investments in subsidiaries		
Share of profits of subsidiaries	678	479
	<u>678</u>	<u>479</u>

Notes to the Financial Statements

	2022/23 TDKK	2021/22 TDKK
4 Tax on profit/loss for the year		
Current tax for the year	9.770	11.307
Deferred tax for the year	-419	632
	9.351	11.939
which breaks down as follows:		
Tax on profit/loss for the year	9.215	12.095
Tax on changes in equity	136	-156
	9.351	11.939

5 Intangible assets

	Software TDKK	Development projects in progress TDKK	Total TDKK
Cost at 1 May	5.155	0	5.155
Additions for the year	90	322	412
Cost at 30 April	5.245	322	5.567
Impairment losses and amortisation at 1 May	3.817	0	3.817
Amortisation for the year	797	0	797
Impairment losses and amortisation at 30 April	4.614	0	4.614
Carrying amount at 30 April	631	322	953
Amortised over	<u>3 years</u>		

Notes to the Financial Statements

6 Property, plant and equipment

	Plant and machinery	Other fixtures and fittings, tools and equipment	Prepayments for property, plant and equipment	Total
	TDKK	TDKK	TDKK	TDKK
Cost at 1 May	41.577	9.246	2.030	52.853
Additions for the year	7.140	406	1.580	9.126
Transfers for the year	1.935	95	-2.030	0
Cost at 30 April	<u>50.652</u>	<u>9.747</u>	<u>1.580</u>	<u>61.979</u>
Impairment losses and depreciation at 1 May	31.013	5.280	0	36.293
Depreciation for the year	5.020	1.358	0	6.378
Impairment losses and depreciation at 30 April	<u>36.033</u>	<u>6.638</u>	<u>0</u>	<u>42.671</u>
Carrying amount at 30 April	<u>14.619</u>	<u>3.109</u>	<u>1.580</u>	<u>19.308</u>
Depreciated over	<u>3-5 years</u>	<u>3-5 years</u>		
Including assets under finance leases amounting to	<u>452</u>	<u>0</u>	<u>0</u>	<u>452</u>

Notes to the Financial Statements

	2023 <u>TDKK</u>	2022 <u>TDKK</u>
7 Investments in subsidiaries		
Cost at 1 May	1.096	1.096
Cost at 30 April	<u>1.096</u>	<u>1.096</u>
Value adjustments at 1 May	4.078	3.030
Exchange adjustment	-477	569
Net profit/loss for the year	<u>678</u>	<u>479</u>
Value adjustments at 30 April	<u>4.279</u>	<u>4.078</u>
Carrying amount at 30 April	<u>5.375</u>	<u>5.174</u>

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
Westpack Limited	Hong Kong	HKD 1	100%
Westpack Trading Ltd	Kina	RMB 1.000.000	100%

	2023 <u>TDKK</u>	2022 <u>TDKK</u>
8 Inventories		
Raw materials and consumables	10.724	9.932
Work in progress	4.910	4.734
Finished goods and goods for resale	68.663	82.752
Prepayments for goods	<u>526</u>	<u>1.766</u>
	<u>84.823</u>	<u>99.184</u>

9 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums and subscriptions.

Notes to the Financial Statements

	<u>2022/23</u> TDKK	<u>2021/22</u> TDKK
10 Distribution of profit		
Proposed dividend for the year	36.000	0
Reserve for net revaluation under the equity method	678	479
Retained earnings	<u>-2.733</u>	<u>31.326</u>
	<u>33.945</u>	<u>31.805</u>

	<u>2023</u> TDKK	<u>2022</u> TDKK
11 Provision for deferred tax		
Provision for deferred tax at 1 May	2.578	1.946
Amounts recognised in the income statement for the year	<u>-419</u>	<u>632</u>
Provision for deferred tax at 30 April	<u>2.159</u>	<u>2.578</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:

Lease obligations

Between 1 and 5 years	<u>498</u>	<u>741</u>
Long-term part	498	741
Within 1 year	<u>244</u>	<u>240</u>
	<u>742</u>	<u>981</u>

Notes to the Financial Statements

	2022/23	2021/22
	TDKK	TDKK
13 Cash flow statement - adjustments		
Financial income	-427	-294
Financial expenses	5.259	2.188
Depreciation, amortisation and impairment losses, including losses and gains on sales	7.175	6.128
Income from investments in subsidiaries	-678	-479
Tax on profit/loss for the year	9.215	12.095
	20.544	19.638

14 Cash flow statement - change in working capital

Change in inventories	14.364	-41.870
Change in receivables	7.780	-19.224
Change in trade payables, etc	-10.384	14.087
Fair value adjustments of hedging instruments	617	-709
	12.377	-47.716

15 Contingent assets, liabilities and other financial obligations

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

Within 1 year	374	359
Between 1 and 5 years	157	287
	531	646

Rental obligations, period of non-terminability 136 month (148 months)	63.857	66.112
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Other contingent liabilities

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of Adelis Services II ApS, which is the management company of the joint taxation purposes. 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.

Notes to the Financial Statements

16 Related parties

Basis

Controlling interest

Sileda VIII Group AB, Regeringsgaten 20, 111 53
Stockholm, Sverige

Ultimate parent company

Consolidated Financial Statements

The company is included in the consolidated report for Wonder HoldCo A/S and Wonder BidCo A/S

Name

Place of registered office

Wonder HoldCo A/S

Holstebro

Wonder BidCo A/S

Holstebro

Notes to the Financial Statements

17 Accounting Policies

The Annual Report of Westpack A/S for 2022/23 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2022/23 are presented in TDKK.

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.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Leases

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Company.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in

Notes to the Financial Statements

17 Accounting Policies (continued)

the income statement on a straight-line basis over the lease term.

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.

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.

Hedge accounting

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.

Income Statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

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

Notes to the Financial Statements

17 Accounting Policies (continued)

Cost of sales

Cost of sales comprises costs incurred to achieve revenue for the year. Cost comprises raw materials, consumables, direct labour costs and indirect production costs such as maintenance and depreciation, etc, as well as operation, administration and management of factories.

Purchasing costs include purchase of trade goods and operation costs regarding subsidiary in China. Purchasing costs are included in the gross profit.

Cost of sales also includes research and development costs that do not qualify for capitalisation as well as amortisation of capitalised development costs.

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of nettoomsætning and cost of sales.

Distribution expenses

Distribution expenses comprise costs in the form of salaries to sales and distribution staff, advertising and marketing expenses as well as operation of motor vehicles, depreciation, etc.

Administrative expenses

Administrative expenses comprise expenses for Management, administrative staff, office expenses, depreciation, etc.

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 property, plant and equipment.

Income from investments in subsidiaries

The item "Income from investments in subsidiaries" in the income statement includes the proportionate share of the profit for the year.

Financial income and expenses

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

Notes to the Financial Statements

17 Accounting Policies (continued)

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.

Balance Sheet

Intangible assets

Software are measured at the lower of cost less accumulated amortisation and recoverable amount. Software are amortised over 3 years.

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.

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:

Plant and machinery	3-5 years
Other fixtures and fittings, tools and equipment	3-5 years

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of 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 recognised and measured under the equity method.

The item "Investments in subsidiaries" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with

Notes to the Financial Statements

17 Accounting Policies (continued)

addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

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 with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

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. Provisions for bad debts are determined on the basis of an individual assessment of each receivable, and in respect of trade receivables, a general provision is also made based on the Company's experience from previous years.

Prepayments

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

Dividend

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

Notes to the Financial Statements

17 Accounting Policies (continued)

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

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

Cash Flow Statement

The cash flow statement shows the Company's cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Company's cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Notes to the Financial Statements

17 Accounting Policies (continued)

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise "Cash at bank and in hand" and "Overdraft facilities".

The cash flow statement cannot be immediately derived from the published financial records.

Financial Highlights

Explanation of financial ratios

Return on assets	$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$