
Westpack A/S

Sletten 21, DK-7500 Holstebro

Annual Report for 1 May 2020 - 30 April 2021

CVR No 26 21 14 25

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
17/6 2021

Jesper Berg Folke
Chairman of the General
Meeting



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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	9
Balance Sheet 30 April	10
Statement of Changes in Equity	12
Cash Flow Statement 1 May - 30 April	13
Notes to the Financial Statements	14

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 2020 - 30 April 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 30 April 2021 of the Company and of the results of the Company operations and cash flows for 2020/21.

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, 17 June 2021

Executive Board

Morten Dalsgaard Nielsen

Søren Skou Mogensen

Board of Directors

Jan Sindesen
Chairman

Martin Jørgensen
Deputy Chairman

Morten Dalsgaard Nielsen

Jens Thøger Hansen

Søren Skou Mogensen

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 2021 and of the results of the Company's operations and cash flows for the financial year 1 May 2020 - 30 April 2021 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Westpack A/S for the financial year 1 May 2020 - 30 April 2021, 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' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement 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 Financial 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 misstatement, whether due to fraud or error.

Independent Auditor's Report

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 in a manner that gives a true and fair view.

Independent Auditor's Report

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, 17 June 2021

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

H. C. Krogh
State Authorised Public Accountant
mne9693

Daniel Mogensen
State Authorised Public Accountant
mne45831

Company Information

The Company

Westpack A/S
Sletten 21
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

Jan Sindesen, Chairman
Martin Jørgensen, Deputy Chairman
Morten Dalsgaard Nielsen
Jens Thøger Hansen
Søren Skou Mogensen
Klaus Wätzold Madsen

Executive Board

Morten Dalsgaard Nielsen
Søren Skou Mogensen

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Hjaltesvej 16
DK-7500 Holstebro

Financial Highlights

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

	2020/21	2019/20	2018/19	2017/18	2016/17
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Gross profit/loss	69.138	58.295	57.298	52.010	48.304
EBITDA	42.186	32.422	31.673	28.821	26.643
Operating profit/loss	36.903	28.295	28.503	26.147	24.333
Profit/loss before financial income and expenses	36.149	28.325	28.662	26.202	24.479
Net financials	-2.240	549	1.113	494	761
Net profit/loss for the year	26.497	22.606	23.399	20.846	19.788
Balance sheet					
Balance sheet total	107.462	104.892	99.950	83.345	82.746
Equity	50.892	50.157	49.159	48.692	48.582
Cash flows					
Cash flows from:					
- operating activities	41.427	31.101	20.392	19.767	9.515
- investing activities	-11.554	-8.446	-4.267	-2.060	-4.982
- financing activities	-30.659	-21.084	-23.216	-18.894	-6.824
Change in cash and cash equivalents for the year	-786	1.571	-7.091	-1.187	-2.291
Number of employees	117	103	87	74	79
Ratios					
Return on assets	33,6%	27,0%	28,7%	31,4%	29,6%
Solvency ratio	47,4%	47,8%	49,2%	58,4%	58,7%
Return on equity	52,4%	45,5%	47,8%	42,9%	46,3%

Management's Review

Key activities

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

Development in the year

The income statement of the Company for 2020/21 shows a profit of TDKK 26,497, and at 30 April 2021 the balance sheet of the Company shows equity of TDKK 50,892.

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

The result for the year exceeded the target described in the annual report for 2019/20.

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.

Targets and expectations for the year ahead

For 2021/22 increasing activity is expected resulting in growth in both revenue and profit in the range of 0-10%. Expectations take into account current developments in Covid-19.

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.

Companies held by private equity funds and presenting annual reports in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C must incorporate the guide on corporate governance published by DVCA (Danish Venture Capital Association).

The Company presents its Annual Report in accordance with the provisions applying to medium-sized enterprises of reporting class C and is therefore not fully comprised by the DVCA guidelines.

Management's Review

Corporate Governance

The Company is part of a Group the main shareholder of which is the Danish private equity fund Capidea.

Capidea is represented on the Board of Directors by Martin Jørgensen, Partner and Jens Thøger Hansen, Partner. The members of the Board of Directors meet at least four times a year, and no special board committees have been appointed.

Income Statement 1 May - 30 April

	Note	2020/21 TDKK	2019/20 TDKK
Gross profit/loss		69.138	58.295
Distribution expenses	1	-18.675	-17.122
Administrative expenses	1	-13.560	-12.878
Operating profit/loss		36.903	28.295
Other operating income		0	30
Other operating expenses		-754	0
Profit/loss before financial income and expenses		36.149	28.325
Income from investments in subsidiaries	2	88	381
Financial income		323	405
Financial expenses		-2.651	-237
Profit/loss before tax		33.909	28.874
Tax on profit/loss for the year	3	-7.412	-6.268
Net profit/loss for the year		26.497	22.606

Balance Sheet 30 April

Assets

	Note	2021 TDKK	2020 TDKK
Software		2.195	1.632
Prepayment		0	738
Intangible assets	4	2.195	2.370
Plant and machinery		12.790	8.225
Other fixtures and fittings, tools and equipment		2.484	2.808
Prepayments for property, plant and equipment		2.280	125
Property, plant and equipment	5	17.554	11.158
Investments in subsidiaries	6	4.126	4.145
Fixed asset investments		4.126	4.145
Fixed assets		23.875	17.673
Inventories	7	57.313	54.739
Trade receivables		13.624	21.746
Receivables from group enterprises		4.765	719
Other receivables		716	692
Prepayments	8	1.918	1.555
Receivables		21.023	24.712
Cash at bank and in hand		5.251	7.768
Currents assets		83.587	87.219
Assets		107.462	104.892

Balance Sheet 30 April

Liabilities and equity

	Note	2021 TDKK	2020 TDKK
Share capital		1.000	1.000
Reserve for net revaluation under the equity method		3.030	3.049
Retained earnings		25.662	29.808
Proposed dividend for the year		21.200	16.300
Equity		50.892	50.157
Provision for deferred tax	10	1.946	1.743
Provisions		1.946	1.743
Lease obligations		981	1.217
Long-term debt	11	981	1.217
Credit institutions		8.260	9.989
Lease obligations	11	236	231
Prepayments received from customers		4.854	2.491
Trade payables		14.883	13.719
Payables to group enterprises		2.872	3.554
Corporation tax		7.222	5.636
Other payables		15.316	16.155
Short-term debt		53.643	51.775
Debt		54.624	52.992
Liabilities and equity		107.462	104.892
Distribution of profit	9		
Contingent assets, liabilities and other financial obligations	14		
Related parties	15		
Accounting Policies	16		

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	3.049	29.808	16.300	50.157
Ordinary dividend paid	0	0	0	-16.300	-16.300
Extraordinary dividend paid	0	0	-9.400	0	-9.400
Exchange adjustments relating to foreign entities	0	-107	0	0	-107
Fair value adjustment of hedging instruments, beginning of year	0	0	68	0	68
Fair value adjustment of hedging instruments, end of year	0	0	-11	0	-11
Tax on adjustment of hedging instruments for the year	0	0	-12	0	-12
Net profit/loss for the year	0	88	5.209	21.200	26.497
Equity at 30 April	1.000	3.030	25.662	21.200	50.892

Cash Flow Statement 1 May - 30 April

	Note	2020/21 TDKK	2019/20 TDKK
Net profit/loss for the year		26.497	22.606
Adjustments	12	14.984	9.817
Change in working capital	13	7.905	4.788
Cash flows from operating activities before financial income and expenses		49.386	37.211
Financial income		322	405
Financial expenses		-2.645	-225
Cash flows from ordinary activities		47.063	37.391
Corporation tax paid		-5.636	-6.290
Cash flows from operating activities		41.427	31.101
Purchase of intangible assets		-818	-1.263
Purchase of property, plant and equipment		-10.811	-7.564
Sale of property, plant and equipment		75	275
Sale of fixed asset investments etc		0	106
Cash flows from investing activities		-11.554	-8.446
Reduction of lease obligations		-231	-339
Lease obligations incurred		0	1.506
Raising of loans from group enterprises		-4.728	-751
Dividend paid		-25.700	-21.500
Cash flows from financing activities		-30.659	-21.084
Change in cash and cash equivalents		-786	1.571
Cash and cash equivalents at 1 May		-2.222	-3.793
Cash and cash equivalents at 30 April		-3.008	-2.222
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		5.251	7.768
Overdraft facility		-8.259	-9.990
Cash and cash equivalents at 30 April		-3.008	-2.222

Notes to the Financial Statements

	2020/21	2019/20
	TDKK	TDKK
1 Staff		
Wages and Salaries	50.464	43.728
Pensions	3.423	2.972
Other social security expenses	1.082	1.072
Other staff expenses	3.170	2.142
	58.139	49.914
Wages and Salaries, pensions, other social security expenses and other staff expenses are recognised in the following items:		
Cost of sales	38.894	30.455
Distribution expenses	12.277	11.672
Administrative expenses	6.968	7.787
	58.139	49.914
Including remuneration to the Executive and Supervisory Boards of:		
Executive Board	4.351	4.204
Supervisory Board	255	255
	4.606	4.459
Average number of employees	117	103
2 Income from investments in subsidiaries		
Share of profits of subsidiaries	88	381
	88	381

Notes to the Financial Statements

	2020/21 TDKK	2019/20 TDKK
3 Tax on profit/loss for the year		
Current tax for the year	7.221	5.636
Deferred tax for the year	203	617
	7.424	6.253
which breaks down as follows:		
Tax on profit/loss for the year	7.412	6.268
Tax on changes in equity	12	-15
	7.424	6.253

4 Intangible assets

	Software TDKK	Prepayment TDKK	Total TDKK
Cost at 1 May	3.135	738	3.873
Additions for the year	819	0	819
Transfers for the year	738	-738	0
Cost at 30 April	4.692	0	4.692
Impairment losses and amortisation at 1 May	1.503	0	1.503
Amortisation for the year	994	0	994
Impairment losses and amortisation at 30 April	2.497	0	2.497
Carrying amount at 30 April	2.195	0	2.195
Amortised over	<u>3 years</u>		

Notes to the Financial Statements

5 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	32.384	6.366	124	38.874
Additions for the year	8.037	494	2.280	10.811
Disposals for the year	-522	0	-124	-646
Cost at 30 April	<u>39.899</u>	<u>6.860</u>	<u>2.280</u>	<u>49.039</u>
Impairment losses and depreciation at 1 May	24.159	3.559	0	27.718
Depreciation for the year	3.472	817	0	4.289
Impairment and depreciation of sold assets for the year	-522	0	0	-522
Impairment losses and depreciation at 30 April	<u>27.109</u>	<u>4.376</u>	<u>0</u>	<u>31.485</u>
Carrying amount at 30 April	<u>12.790</u>	<u>2.484</u>	<u>2.280</u>	<u>17.554</u>
Depreciated over	<u>3-5 years</u>	<u>3-5 years</u>		
Including assets under finance leases amounting to	<u>1.054</u>	<u>0</u>	<u>0</u>	<u>1.054</u>

Notes to the Financial Statements

	2021 <u>TDKK</u>	2020 <u>TDKK</u>
6 Investments in subsidiaries		
Cost at 1 May	1.096	1.096
Cost at 30 April	1.096	1.096
Value adjustments at 1 May	3.049	2.723
Exchange adjustment	-107	-55
Net profit/loss for the year	88	381
Value adjustments at 30 April	3.030	3.049
Carrying amount at 30 April	4.126	4.145

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%

	2021 <u>TDKK</u>	2020 <u>TDKK</u>
7 Inventories		
Raw materials and consumables	6.966	7.300
Work in progress	3.334	3.696
Finished goods and goods for resale	46.316	42.111
Prepayments for goods	697	1.632
	57.313	54.739

8 Prepayments

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

Notes to the Financial Statements

	2020/21 TDKK	2019/20 TDKK
9 Distribution of profit		
Extraordinary dividend paid	9.400	4.500
Proposed dividend for the year	21.200	16.300
Reserve for net revaluation under the equity method	88	381
Retained earnings	-4.191	1.425
	26.497	22.606
10 Provision for deferred tax		
Provision for deferred tax at 1 May	1.743	1.126
Amounts recognised in the income statement for the year	203	617
Provision for deferred tax at 30 April	1.946	1.743
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:		
Lease obligations		
Between 1 and 5 years	981	1.217
Long-term part	981	1.217
Within 1 year	236	231
	1.217	1.448
12 Cash flow statement - adjustments		
Financial income	-323	-405
Financial expenses	2.651	237
Depreciation, amortisation and impairment losses, including losses and gains on sales	5.332	4.098
Income from investments in subsidiaries	-88	-381
Tax on profit/loss for the year	7.412	6.268
	14.984	9.817

Notes to the Financial Statements

	2020/21	2019/20
	TDKK	TDKK
13 Cash flow statement - change in working capital		
Change in inventories	-2.578	-1.582
Change in receivables	7.738	-1.506
Change in trade payables, etc	2.689	7.944
Fair value adjustments of hedging instruments	56	-68
	7.905	4.788

14 Contingent assets, liabilities and other financial obligations

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

Within 1 year	263	138
Between 1 and 5 years	491	262
	754	400

Rental obligations, period of non-terminability 160 month (146 months)	69.108	51.100
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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 TopCap Westpack 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

15 Related parties

Basis

Controlling interest

Capidea Kapital II K/S, Store Kongensgade 118, 1. th.,
1264 København K Ultimate parent company

Ownership

The following shareholders are recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

CapHold Westpack ApS, Sletten 21, 7500 Holstebro

Consolidated Financial Statements

The company is included in the consolidated report for TopCap Westpack ApS and CapHold Westpack ApS

<u>Name</u>	<u>Place of registered office</u>
TopCap Westpack ApS	Holstebro
CapHold Westpack ApS	Holstebro

Notes to the Financial Statements

16 Accounting Policies

The Annual Report of Westpack A/S for 2020/21 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 2020/21 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

16 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

16 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

16 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

16 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.

Equity

Dividend

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

Notes to the Financial Statements

16 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

16 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	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$