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Midform Holding ApS

Grævlingevænget 13
6000 Kolding
Central Business Registration
No 28118996

Annual report 2016/17

The Annual General Meeting adopted the annual report on 18.12.2017

Chairman of the General Meeting

Name: Lars Aaen

Contents

Entity details

Entity
Midform Holding ApS
Grævlingevænget 13
6000 Kolding

Central Business Registration No: 28118996
Registered in: Kolding, Denmark
Financial year: 01.10.2016 - 30.09.2017

Board of Directors
Lars Aaen, chairman
Claus Hansson
Dion Møberg Eriksen

Executive Board
Claus Hansson

Auditors
Deloitte Statsautoriseret Revisionspartnerselskab
Egtved Allé 4
6000 Kolding

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Midform Holding ApS for the financial year 01.10.2016 - 30.09.2017.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements give a true and fair view of the Group's and the Parent's financial position at 30.09.2017 and of the results of their operations as well as consolidated cash flows for the financial year 01.10.2016 - 30.09.2017.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Kolding, 18.12.2017

Executive Board

Claus Hansson

Board of Directors

Lars Aaen chairman	Claus Hansson	Dion Møberg Eriksen

Independent auditor's report

To the shareholders of Midform Holding ApS

Opinion

We have audited the consolidated financial statements and the parent financial statements of Midform Holding ApS for the financial year 01.10.2016 - 30.09.2017, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 30.09.2017, and of the results of their operations for the financial year 01.10.2016 - 30.09.2017 in accordance with the Danish Financial Statements Act.

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 consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board of 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.

Management's responsibilities for the consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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

Independent auditor's report

reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and parent 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 consolidated financial statements and the parent 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 Group's and the Entity'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 consolidated financial statements and the parent 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 Group's and the Entity'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 consolidated financial statements and the parent 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 Group and the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Independent auditor's report

Statement on the management commentary
Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

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

Kolding, 18.12.2017

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556

Anders Rosendahl Poulsen
State Authorised Public Accountant

Management commentary

	2016/17 DKK'000	2015/16 DKK'000	2014/15 DKK'000
Financial highlights			
Key figures			
Gross profit	3.972	74.048	59.077
Operating profit/loss	(20)	45.142	28.943
Net financials	16.673	(3.216)	(4.071)
Profit/loss for the year	16.787	30.252	17.456
Total assets	55.465	71.238	71.874
Investments in property, plant and equipment	621	6.505	2.469
Equity	36.743	31.028	20.503
Ratios			
Equity Ratio(%)	62,0	39,9	28,5

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2015" issued by the Danish Society of Financial Analysts.

Ratios	Calculation formula	Ratios
Equity Ratio(%)	$\frac{\text{Equity}}{\text{Total assets}}$	The financial strength of the Entity

Management commentary

Primary activities

The operating activities of the Midform Group comprise development, production and sale of advanced ergonomic high adjustable tables for the use in modern companies around the globe. In addition a minor part of the group concentrate on producing high grade moulded plywood components and solutions to the contract furniture as well as residential segments.

Development in activities and finances

2016/17 became a more challenging year than expected for the Group. For the first time in recent years the Group realized a reduction in both growth and result. EBITDA was reduced compared with last year and reached a level in 2016/17 of 19,2 mDKK. The significant reduction was mainly driven by less sales to the two biggest single customers, and the Group was not able fast enough to compensate for the lost sales with extended sales to other customers and new sales in new sales channel with sufficient impact in this accounting year. In addition, the cost structure was based on continued growth expectations.

Therefore has the Group started a process to reduce the fixed expenses, by both optimizing the production setup with higher automation in Denmark and by moving some of the production for moulded plywood components into a new factory in Poland. In addition, the CEO position was changed and the former CEO and main shareholder is again managing the Group as CEO. The result before tax for 2016/17 amounted to 20,9 mDKK and after tax result amounted to 16,8 mDKK.

The board consider the result as less satisfactory.

Outlook

The continued focus on widening the sales into a broader customer base, stronger focus on advanced products and by expanding the sales channels as well as the reduced cost structure is expected to show positive impact in revenue and earnings for 2017/18. We therefore expect a higher result in 2017/18.

Particular risks

The group has no particular business and financial risks beyond risks of common occurrence within the industry.

Intellectual capital resources

The group has thorough knowledge of the market for moulded shaped wood, and development and production of modern and functional high adjustable tables and has during many years built up a considerable competence within this area.

Environmental performance

The group has a considerable own production which to a high extent consists in assembly and mounting. The environmental impact by the group is limited. The group is continuously trying to reduce the environmental impact by introducing new improvements in this area.

Management commentary

Events after the balance sheet date

No events have occurred after the balance sheet date which would influence the evaluation of this annual report.

Consolidated income statement for 2016/17

	Notes	2016/17 DKK'000	2015/16 DKK'000
Gross profit		**3.972**	**74.048**
Staff costs	2	(3.754)	(27.377)
Depreciation, amortisation and impairment losses	3	(238)	(1.529)
Operating profit/loss		**(20)**	**45.142**
Income from investments in group enterprises		17.214	0
Other financial income		0	161
Other financial expenses	4	(541)	(3.377)
Profit/loss before tax		**16.653**	**41.926**
Tax on profit/loss for the year	5	134	(11.674)
Profit/loss for the year	6	**16.787**	**30.252**

Consolidated balance sheet at 30.09.2017

	Notes	2016/17 DKK'000	2015/16 DKK'000
Completed development projects		44	272
Intangible assets	7	**44**	**272**
Land and buildings		0	16.304
Other fixtures and fittings, tools and equipment		916	3.970
Property, plant and equipment	8	**916**	**20.274**
Investments in group enterprises		53.588	0
Fixed asset investments		**53.588**	**0**
Fixed assets		**54.548**	**20.546**
Raw materials and consumables		0	1.525
Work in progress		0	2.507
Manufactured goods and goods for resale		0	19.497
Inventories		**0**	**23.529**
Trade receivables		0	19.631
Receivables from group enterprises		662	0
Deferred tax		134	364
Other receivables		82	2.502
Prepayments		0	1.045
Receivables		**878**	**23.542**
Cash		**39**	**3.621**
Current assets		**917**	**50.692**
Assets		**55.465**	**71.238**

Consolidated balance sheet at 30.09.2017

	Notes	2016/17 DKK'000	2015/16 DKK'000
Contributed capital		125	125
Reserve for net revaluation according to the equity method		23.103	0
Retained earnings		3.515	20.903
Proposed dividend		10.000	10.000
Equity		**36.743**	**31.028**
Deferred tax		0	451
Provisions		**0**	**451**
Mortgage debts		0	5.665
Debt to other credit institutions		(1)	5.338
Income tax payable		0	1.039
Non-current liabilities other than provisions	9	**(1)**	**12.042**
Current portion of long-term liabilities other than provisions	9	0	2.359
Bank loans		0	2.140
Prepayments received from customers		0	250
Trade payables		784	10.750
Payables to group enterprises		17.246	304
Income tax payable		0	7.191
Other payables		693	4.723
Current liabilities other than provisions		**18.723**	**27.717**
Liabilities other than provisions		**18.722**	**39.759**
Equity and liabilities		**55.465**	**71.238**
Contingent liabilities	10		
Mortgages and securities	11		

Consolidated statement of changes in equity for 2016/17

	Contributed capital DKK'000	Reserve for net revaluation according to the equity method DKK'000	Retained earnings DKK'000	Proposed dividend DKK'000
Equity beginning of year	125	6.959	13.942	10.000
Ordinary dividend paid	0	0	0	(10.000)
Exchange rate adjustments	0	(837)	0	0
Other equity postings	0	(233)	0	0
Profit/loss for the year	0	17.214	(10.427)	10.000
Equity end of year	**125**	**23.103**	**3.515**	**10.000**

	Total DKK'000
Equity beginning of year	31.026
Ordinary dividend paid	(10.000)
Exchange rate adjustments	(837)
Other equity postings	(233)
Profit/loss for the year	16.787
Equity end of year	**36.743**

Notes to consolidated financial statements

	2016/17 DKK'000	2015/16 DKK'000
1. Fees to the auditor appointed by the Annual General Meeting		
Statutory audit services	130	0
	130	**0**

	2016/17 DKK'000	2015/16 DKK'000
2. Staff costs		
Wages and salaries	3.364	25.365
Pension costs	298	1.138
Other social security costs	92	0
Other staff costs	0	874
	3.754	**27.377**
Average number of employees	**51**	**40**

	2016/17 DKK'000	2015/16 DKK'000
3. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	6	110
Depreciation of property, plant and equipment	232	1.419
	238	**1.529**

♥ Indtægter af kapitalandele i tilknyttede virksomheder - Indsæt beskrivelse af evt. særlige forhold.

	2016/17 DKK'000	2015/16 DKK'000
4. Other financial expenses		
Financial expenses from group enterprises	219	0
Interest expenses	317	0
Other financial expenses	5	0
	541	**0**

	2016/17 DKK'000	2015/16 DKK'000
5. Tax on profit/loss for the year		
Tax on current year taxable income	0	11.876
Change in deferred tax for the year	8	777
Adjustment concerning previous years	(142)	(979)
	(134)	**11.674**

The adjustment relating to previous year concerns the allocation in the joint taxation.

Notes to consolidated financial statements

	2016/17 DKK'000	2015/16 DKK'000
6. Proposed distribution of profit/loss		
Ordinary dividend for the financial year	10.000	10.000
Extraordinary dividend distributed in the financial year	0	20.000
Transferred to reserve for net revaluation according to the equity method	17.214	0
Retained earnings	(10.427)	252
	16.787	**30.252**

	Completed development projects DKK'000
7. Intangible assets	
Additions	50
Cost end of year	**50**
Impairment losses for the year	(6)
Amortisation and impairment losses end of year	**(6)**
Carrying amount end of year	**44**

	Other fixtures and fittings, tools and equipment DKK'000
8. Property, plant and equipment	
Cost beginning of year	769
Additions	621
Cost end of year	**1.390**
Depreciation and impairment losses beginning of the year	(242)
Depreciation for the year	(232)
Depreciation and impairment losses end of the year	**(474)**
Carrying amount end of year	**916**

Notes to consolidated financial statements

	Investments in group enterprises DKK'000
Cost beginning of year	30.485
Cost end of year	**30.485**
Revaluations beginning of year	6.959
Exchange rate adjustments	(837)
Share of profit/loss for the year	7.955
Adjustment of intra-group profits	(741)
Dividend	10.000
Other adjustments	(233)
Revaluations end of year	**23.103**
Carrying amount end of year	**53.588**

	Instalments within 12 months 2015/16 DKK'000	Outstanding after 5 years DKK'000
9. Liabilities other than provisions		
Mortgage debts	411	4.021.896
Debt to other credit institutions	1.948	0
Income tax payable	0	0
	2.359	**4.021.896**

10. Contingent liabilities

The group has entered a lease contract on property, production equipment and operating equipment. At 30.09.2017 the lease commitments amount to DKK 8.931k.

The group participates in a Danish joint taxation arrangement in which C. Hansson Holding ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the group is therefore liable from the financial year 2012/13 for income taxes etc for the jointly taxed companies and also for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for these companies.

Notes to consolidated financial statements

11. Mortgages and securities

Mortgage debt is secured by way of mortgage on properties. The mortgage also comprises production equipment and machinery appurtenant to the properties.

Bank debt is secured by way of a deposited mortgage deed registered to the mortgagor on the property of totally DKK 8.000k nominal.

Carrying amount of property pledged is DKK 14.992k.

Bank debt is secured by way of a company pledge with security in an all-moneys mortgage of DKK 15.500k comprising unsecured debt from sale of goods and finished goods, fixtures and fittings etc. and operating equipment as well as goodwill, domain names and intellectual rights.

	2016/17 DKK'000
Carrying amount of inventories pledged	11.538
Carrying amount of fixtures and equipment pledged	3.659
Carrying amount of receivables pledged	1.397

Parent income statement for 2016/17

	Notes	2016/17 DKK'000	2015/16 DKK'000
Gross profit		**3.972**	**3.575**
Staff costs	1	(3.754)	(2.883)
Depreciation, amortisation and impairment losses	2	(238)	(242)
Operating profit/loss		**(20)**	**450**
Income from investments in group enterprises		17.214	30.620
Other financial expenses	3	(541)	(1.097)
Profit/loss before tax		**16.653**	**29.973**
Tax on profit/loss for the year	4	134	279
Profit/loss for the year	5	**16.787**	**30.252**

Parent balance sheet at 30.09.2017

	Notes	2016/17 DKK'000	2015/16 DKK'000
Completed development projects		44	0
Intangible assets	6	**44**	**0**
Other fixtures and fittings, tools and equipment		916	527
Property, plant and equipment	7	**916**	**527**
Investments in group enterprises		53.588	37.444
Fixed asset investments	8	**53.588**	**37.444**
Fixed assets		**54.548**	**37.971**
Receivables from group enterprises		662	752
Dividends receivable from group enterprises		0	35.000
Deferred tax		134	142
Other receivables		82	575
Receivables		**878**	**36.469**
Cash		**39**	**6**
Current assets		**917**	**36.475**
Assets		**55.465**	**74.446**

Parent balance sheet at 30.09.2017

	Notes	2016/17 DKK'000	2015/16 DKK'000
Contributed capital	9	125	125
Reserve for net revaluation according to the equity method		23.103	6.959
Retained earnings		3.515	13.942
Proposed dividend		10.000	10.000
Equity		**36.743**	**31.026**
Debt to other credit institutions		(1)	5.333
Non-current liabilities other than provisions		**(1)**	**5.333**
Current portion of long-term liabilities other than provisions		0	1.948
Trade payables		784	270
Payables to group enterprises		17.246	35.596
Other payables		693	273
Current liabilities other than provisions		**18.723**	**38.087**
Liabilities other than provisions		**18.722**	**43.420**
Equity and liabilities		**55.465**	**74.446**
Unrecognised rental and lease commitments	10		
Contingent liabilities	11		
Mortgages and securities	12		

Parent statement of changes in equity for 2016/17

	Contributed capital DKK'000	Reserve for net revaluation according to the equity method DKK'000	Retained earnings DKK'000	Proposed dividend DKK'000
Equity beginning of year	125	6.959	13.942	10.000
Ordinary dividend paid	0	0	0	(10.000)
Exchange rate adjustments	0	(837)	0	0
Other equity postings	0	(233)	0	0
Profit/loss for the year	0	17.214	(10.427)	10.000
Equity end of year	**125**	**23.103**	**3.515**	**10.000**

	Total DKK'000
Equity beginning of year	31.026
Ordinary dividend paid	(10.000)
Exchange rate adjustments	(837)
Other equity postings	(233)
Profit/loss for the year	16.787
Equity end of year	**36.743**

Notes to parent financial statements

	2016/17 DKK'000	2015/16 DKK'000
1. Staff costs		
Wages and salaries	3.364	2.595
Pension costs	298	203
Other social security costs	92	85
	3.754	**2.883**

	2016/17 DKK'000	2015/16 DKK'000
2. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	6	0
Depreciation of property, plant and equipment	232	242
	238	**242**

	2016/17 DKK'000	2015/16 DKK'000
3. Other financial expenses		
Financial expenses from group enterprises	219	412
Interest expenses	317	550
Other financial expenses	5	135
	541	**1.097**

	2016/17 DKK'000	2015/16 DKK'000
4. Tax on profit/loss for the year		
Change in deferred tax for the year	8	363
Adjustment concerning previous years	(142)	(642)
	(134)	**(279)**

The adjustment relating to previous year concerns the allocation in the joint taxation.

	2016/17 DKK'000	2015/16 DKK'000
5. Proposed distribution of profit/loss		
Ordinary dividend for the financial year	10.000	10.000
Extraordinary dividend distributed in the financial year	0	20.000
Transferred to reserve for net revaluation according to the equity method	17.214	30.620
Retained earnings	(10.427)	(30.368)
	16.787	**30.252**

Notes to parent financial statements

	Completed development projects DKK'000
6. Intangible assets	
Additions	50
Cost end of year	**50**
Impairment losses for the year	(6)
Amortisation and impairment losses end of year	**(6)**
Carrying amount end of year	**44**

	Other fixtures and fittings, tools and equipment DKK'000
7. Property, plant and equipment	
Cost beginning of year	769
Additions	621
Cost end of year	**1.390**
Depreciation and impairment losses beginning of the year	(242)
Depreciation for the year	(232)
Depreciation and impairment losses end of the year	**(474)**
Carrying amount end of year	**916**

Notes to parent financial statements

	Investments in group enterprises DKK'000
8. Fixed asset investments	
Cost beginning of year	30.485
Cost end of year	**30.485**
Revaluations beginning of year	6.959
Exchange rate adjustments	(837)
Share of profit/loss for the year	7.955
Adjustment of intra-group profits	(741)
Dividend	10.000
Other adjustments	(233)
Revaluations end of year	**23.103**
Carrying amount end of year	**53.588**

Subsidiaries:

- Midform A/S, Middelfart, Equity interest: 100%.
- SIS USA Inc., New Hampshire, USA, Equity interest: 100%.
- Rufac A/S, Middelfart, Equity interest: 100%.

	Number	Par value DKK'000	Nominal value DKK'000
9. Contributed capital			
Shares	125	1	125
	125		**125**

	2016/17 DKK'000	2015/16 DKK'000
10. Unrecognised rental and lease commitments		
Hereof liabilities under rental or lease agreements until maturity in total	**211**	**135**

11. Contingent liabilities

The Company participates in a Danish joint taxation arrangement in which C. Hansson Holding ApS serves as the administration company. According to the joint taxation provisions of the Dansih Corporation Tax Act, the Company is therefore liable from the financial year 2012/13 for income taxes etc for the jointly taxed companies and also for obligations, if any, relationg to the whitholding of tax on interest, royalties and dividend for these companies.

Notes to parent financial statements

12. Mortgages and securities

Bank debt is secured by way of a pledge in equity holdings and dividend receivable in two subsidiaries. The carrying amount of equity holdings and dividends pledged amounts to DKK 38.978k in total.

The Company has issued a guarantee of payment concerning C. Hansson Holding ApS', Midform A/S' and Rufac ApS' bank debt.

	2016/17 DKK'000	2015/16 DKK'000
Bank debt is secured by way of a company pledge with security in an all-moneys mortgage of DKK 15.500k comprising unsecured debt from sale of goods and services, inventories of raw materials, semi-manufactured goods and finished goods, fixtures and fittings etc. and operating equipment as well as goodwill, domain names and intellectual rights.		
Carrying amount of other fixtures and fittings, etc. pledged	**916**	**527**
Carrying amount of receivables from group enterprises	**662**	**752**

Accounting policies

Reporting class
This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises.

The accounting policies applied for this consolidated financial statements and parent financial statements are consistent with those applied last year.

Recognition and measurement
Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Consolidated financial statements
The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence.

Enterprises in which the Group, directly or indirectly, holds between 20% and 50% of the voting rights and exercises significant, but not controlling influence are regarded as associates.

Basis of consolidation
The consolidated financial statements are prepared on the basis of the financial statements of Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements.

Minority interests' pro rata shares of the profit/loss and the net assets are disclosed as separate items in the income statement and the balance sheet, respectively.

Accounting policies

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the takeover date, with net assets having been calculated at fair value.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the one in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, changes in inventories of finished goods and work in progress, own work capitalised, other operating income, cost of raw materials and consumables and external expenses.

Revenue

Revenue is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Cost of sales

Cost of sales comprises costs of sales for the financial year measured at cost, adjusted for ordinary inventory write-downs.

Costs of raw materials and consumables

Costs of raw materials and consumables comprise the consumption of raw materials and consumables for the financial year after adjustment for changes in inventories of these goods from the beginning to the end of the year. This item includes shrinkage, if any, and ordinary write-downs of the relevant inventories.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes write-downs of receivables recognised in current assets.

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses

Amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

Accounting policies

Other financial income
Other financial income comprises dividends etc received on other investments, interest income, including interest income on receivables from group enterprises, net capital gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses
Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year
Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The Entity is jointly taxed with the Parent and all its Danish subsidiaries. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet
Intellectual property rights etc
Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Completed development projects are amortised on a straight-line basis using the estimated useful lives of the assets. The amortisation period is between 2-5 years. For development projects protected by intellectual property rights, the maximum amortisation period is the remaining duration of the relevant rights. Development projects are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment
Land and buildings, plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Accounting policies

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation. For self-manufactured assets, cost comprises direct and indirect costs of materials, components, subsuppliers and labour costs. For assets held under finance leases, cost is the lower of the asset's fair value and present value of future lease payments.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Buildings	50 years
Plant and machinery	3-25 years

Property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Investments in group enterprises
Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity plus or minus unamortised positive, or negative, goodwill and minus or plus unrealised intra-group profits or losses.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to Reserve for net revaluation according to the equity method under equity.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

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

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation on and impairment losses relating to machinery, factory buildings and equipment applied for the manufacturing process as well as costs of factory administration and management.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Receivables
Receivables are measured at amortised cost, usually equalling nominal value less write-downs for bad and doubtful debts.

Deferred tax
Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Accounting policies

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Prepayments
Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash
Cash comprises cash in hand and bank deposits.

Dividend
Dividend is recognised as a liability at the time of adoption at the general meeting. The proposed dividend for the financial year is disclosed as a separate item in equity.

Mortgage debt
At the time of borrowing, mortgage debt to mortgage credit institutions is measured at cost which corresponds to the proceeds received less transaction costs incurred. Mortgage debt is subsequently measured at amortised cost. This means that the difference between the proceeds at the time of borrowing and the nominal repayable amount of the loan is recognised in the income statement as a financial expense over the term of the loan applying the effective interest method.

Operating leases
Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

Other financial liabilities
Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Prepayments received from customers
Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

Income tax receivable or payable
Current tax payable or receivable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

Cash flow statement
Cash flow statement is excluded according to the Danish Financial Statement Act. § 86 clause 4.