

---

# ***Berner A/S***

Stenholm 2, DK-9400 Nørresundby

## **Annual Report for 1 April 2019 - 31 March 2020**

---

CVR No 28 23 53 13

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
28/8 2020

Jørn Rohde  
Chairman of the General  
Meeting



# Contents

	<u>Page</u>
<b>Management's Statement and Auditor's Report</b>	
Management's Statement	1
Independent Auditor's Report	2
<b>Management's Review</b>	
Company Information	5
Financial Highlights	6
Management's Review	7
<b>Financial Statements</b>	
Income Statement 1 April - 31 March	9
Balance Sheet 31 March	10
Statement of Changes in Equity	12
Cash Flow Statement 1 April - 31 March	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 Berner A/S for the financial year 1 April 2019 - 31 March 2020.

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

In our opinion the Financial Statements give a true and fair view of the financial position at 31 March 2020 of the Company and of the results of the Company operations and cash flows for 2019/20.

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.

Nørresundby, 28 August 2020

## Executive Board

Jørn Rohde

## Board of Directors

Carsten Andreas Rumpf  
Chairman

Christian Dahmen

Jørn Rohde

# Independent Auditor's Report

To the Shareholder of Berner A/S

## Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 March 2020 and of the results of the Company's operations and cash flows for the financial year 1 April 2019 - 31 March 2020 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Berner A/S for the financial year 1 April 2019 - 31 March 2020, 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 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.

# Independent Auditor's Report

## Management's responsibilities for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

## Independent Auditor's Report

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Aalborg, 28 August 2020

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 77 12 31*

Jan Bunk Harbo Larsen

statsautoriseret revisor

mne30224

Rasmus Møllergaard Stenskrog

statsautoriseret revisor

mne34161

## **Company Information**

### **The Company**

Berner A/S  
Stenholm 2  
DK-9400 Nørresundby

CVR No: 28 23 53 13  
Financial period: 1 April - 31 March  
Municipality of reg. office: Aalborg

### **Board of Directors**

Carsten Andreas Rumpf, Chairman  
Christian Dahmen  
Jørn Rohde

### **Executive Board**

Jørn Rohde

### **Auditors**

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
Skelagervej 1A  
DK-9000 Aalborg

## Financial Highlights

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

	2019/20 TDKK	2018/19 TDKK	2017/18 TDKK	2016/17 TDKK	2015/16 TDKK
<b>Key figures</b>					
<b>Profit/loss</b>					
Gross profit/loss	66,604	73,438	71,027	74,820	82,455
Operating profit/loss	-11,733	-9,922	-8,415	-6,078	-3,416
Net financials	-1,093	-805	-486	-347	-434
Net profit/loss for the year	-12,486	-10,426	-8,656	-6,310	-3,482
<b>Balance sheet</b>					
Balance sheet total	52,061	53,156	52,836	55,154	68,241
Equity	-3,556	8,930	14,357	23,013	29,323
<b>Cash flows</b>					
Cash flows from:					
- investing activities	-1,782	-1,381	-545	-1,243	-40
Number of employees	96	105	108	119	136
<b>Ratios</b>					
Return on assets	-22.5%	-18.7%	-15.9%	-11.0%	-5.0%
Solvency ratio	-6.8%	16.8%	27.2%	41.7%	43.0%
Return on equity	-464.7%	-89.5%	-46.3%	-24.1%	-11.2%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.



# Management's Review

## Key activities

The company's main activities comprise wholesale trade of fastening and fixation materials, tools and chemicals for the professional automobile and construction industries.

The sale is for the Danish market as well as for the North Atlantic countries.

## Development in the year

The Gross Margin for 2019/20 amounted to DKK 66.6 mill, compared to DKK 73.4 mill in 2018/19.

The income statement for the year shows a result of DKK -12,5 mill, a decrease from last year by DKK 2,1 mill, which is lower than expected.

The result is lower than expected and considered as not acceptable. The result of the year is negatively affected by postponed investment in productivity, investments in local IT projects with revenue effect in 2020/21, increased corporate IT costs and local cost savings initiatives with short term negative effect on the 2019/20 result, but with savings in full effect in fiscal year of 2020/21.

The balance sheet at March 31st, 2020 shows equity of DKK -3,6 mill.

## Capital resources

The financial statements have been prepared for continued operation, as the parent company has provided the necessary credit facilities. The parent company has issued a letter of support in favor of the company covering the period up to July 31st, 2021.

## Special risks - operating risks and financial risks

### *Operating risks*

No major price risks are estimated, in addition to current customer agreements, which may have a maturity of more than 1 year.

### *Foreign exchange risks*

No major currency risks are estimated as most of the purchases are made in EUR, and all sales of goods take place in DKK. At present, no hedging of currency displacements.

### *Credit risks*

Operating credits are financed through the Group at variable interest rates, but any interest rate fluctuations will not have a significant direct effect on earnings. At present, no cover off interest positions.

# Management's Review

## Targets and expectations for the year ahead

The company expects to report positive development in EBITDA for the year ahead in the range of DKK -4 to -2 mll. and an expected EBT in the range of DKK -7.5 - -5.0 mll.. This expectation is driven by the full effect of cost saving initiatives carried out in 2019/20 and the full revenue effect from service based investments in 2019/20.

Before the COVID-19 outbreak, Management expected an improved activity and net profit for the year compared to 2019/20. This was based on Management's assumption of flattening economic growth in Denmark, where the Company is selling its products. However, the COVID-19 outbreak hit the Danish market, and Management expects this to have a significantly negative impact on both activity and net profit for 2020/21. The scope of the impact is, however, unknown at this time as it is uncertain to what extent the Company will be able to recapture lost revenue later in the year.

## Research and development

Main R&D activities are held by the parent company in Germany. Locally customer based services are developed.

## External environment

The company strives not to influence the external environment negatively.

## Intellectual capital resources

The company continuous invests in high-specialized resources. Employees are upgraded on an ongoing basis through continuing development and training.

## Subsequent events

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

## Income Statement 1 April - 31 March

	Note	2019/20	2018/19
		DKK	DKK
<b>Gross profit/loss</b>		<b>66,603,532</b>	<b>73,437,700</b>
Distribution expenses	3	-60,650,259	-48,682,489
Administrative expenses	3	-17,686,242	-34,677,530
<b>Operating profit/loss</b>		<b>-11,732,969</b>	<b>-9,922,319</b>
Financial income		23,264	27,929
Financial expenses	4	-1,116,422	-832,627
<b>Profit/loss before tax</b>		<b>-12,826,127</b>	<b>-10,727,017</b>
Tax on profit/loss for the year	5	339,789	300,718
<b>Net profit/loss for the year</b>		<b>-12,486,338</b>	<b>-10,426,299</b>

## Balance Sheet 31 March

### Assets

	Note	2020 DKK	2019 DKK
Acquired licenses		77,931	129,533
<b>Intangible assets</b>	6	<b>77,931</b>	<b>129,533</b>
Land and buildings		8,223,926	8,166,897
Other fixtures and fittings, tools and equipment		876,365	987,879
<b>Property, plant and equipment</b>	7	<b>9,100,291</b>	<b>9,154,776</b>
<b>Fixed assets</b>		<b>9,178,222</b>	<b>9,284,309</b>
<b>Inventories</b>	8	<b>18,584,978</b>	<b>18,902,005</b>
Trade receivables		15,164,415	20,497,287
Receivables from group enterprises		892,647	808,362
Other receivables		155,590	322,018
Prepayments	9	1,019,317	935,948
<b>Receivables</b>		<b>17,231,969</b>	<b>22,563,615</b>
<b>Cash at bank and in hand</b>		<b>7,065,422</b>	<b>2,406,420</b>
<b>Currents assets</b>		<b>42,882,369</b>	<b>43,872,040</b>
<b>Assets</b>		<b>52,060,591</b>	<b>53,156,349</b>

# Balance Sheet 31 March

## Liabilities and equity

	Note	2020 DKK	2019 DKK
Share capital		11,300,000	11,300,000
Retained earnings		-14,856,099	-2,369,761
<b>Equity</b>	10	<b>-3,556,099</b>	<b>8,930,239</b>
Other payables		3,393,335	0
<b>Long-term debt</b>	12	<b>3,393,335</b>	<b>0</b>
Trade payables		6,072,197	7,030,523
Payables to group enterprises		37,157,383	24,175,676
Other payables	12	8,993,775	13,019,911
<b>Short-term debt</b>		<b>52,223,355</b>	<b>44,226,110</b>
<b>Debt</b>		<b>55,616,690</b>	<b>44,226,110</b>
<b>Liabilities and equity</b>		<b>52,060,591</b>	<b>53,156,349</b>
Going concern	1		
Subsequent events	2		
Distribution of profit	11		
Contingent assets, liabilities and other financial obligations	15		
Related parties	16		
Accounting Policies	17		

## Statement of Changes in Equity

	Share capital	Retained earnings	Total
	DKK	DKK	DKK
Equity at 1 April	11,300,000	-2,369,761	8,930,239
Net profit/loss for the year	0	-12,486,338	-12,486,338
<b>Equity at 31 March</b>	<b>11,300,000</b>	<b>-14,856,099</b>	<b>-3,556,099</b>

## Cash Flow Statement 1 April - 31 March

	Note	2019/20 DKK	2018/19 DKK
Net profit/loss for the year		-12,486,338	-10,426,299
Adjustments	13	2,641,510	2,538,850
Change in working capital	14	4,057,543	4,474,450
<b>Cash flows from operating activities before financial income and expenses</b>		<b>-5,787,285</b>	<b>-3,412,999</b>
Financial income		23,264	27,929
Financial expenses		-1,116,420	-832,628
<b>Cash flows from ordinary activities</b>		<b>-6,880,441</b>	<b>-4,217,698</b>
Received joint taxation contribution		339,789	300,718
<b>Cash flows from operating activities</b>		<b>-6,540,652</b>	<b>-3,916,980</b>
Purchase of intangible assets		0	-125,117
Purchase of property, plant and equipment		-1,782,054	-1,255,797
<b>Cash flows from investing activities</b>		<b>-1,782,054</b>	<b>-1,380,914</b>
Raising of payables to group enterprises		481,708	0
Raising of loans from group enterprises		12,500,000	1,142,219
Cash capital increase		0	5,000,000
<b>Cash flows from financing activities</b>		<b>12,981,708</b>	<b>6,142,219</b>
<b>Change in cash and cash equivalents</b>		<b>4,659,002</b>	<b>844,325</b>
Cash and cash equivalents at 1 April		2,406,420	1,562,095
<b>Cash and cash equivalents at 31 March</b>		<b>7,065,422</b>	<b>2,406,420</b>
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		7,065,422	2,406,420
<b>Cash and cash equivalents at 31 March</b>		<b>7,065,422</b>	<b>2,406,420</b>

# Notes to the Financial Statements

## 1 Going concern

The financial statements have been prepared for continued operation, as the parent company has provided the necessary credit facilities. The parent company has issued a letter of support in favor of the company covering the period up to July 31st, 2021.

## 2 Subsequent events

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

	<u>2019/20</u> DKK	<u>2018/19</u> DKK
<b>3 Staff</b>		
Wages and Salaries	45,327,134	48,785,919
Pensions	3,503,785	3,599,709
Other social security expenses	1,007,382	1,152,802
Other staff expenses	929,174	965,620
	<u><b>50,767,475</b></u>	<u><b>54,504,050</b></u>
<b>Average number of employees</b>	<u><b>96</b></u>	<u><b>105</b></u>

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

## 4 Financial expenses

Interest paid to group enterprises	1,074,391	816,636
Other financial expenses	42,031	15,991
	<u><b>1,116,422</b></u>	<u><b>832,627</b></u>

## 5 Tax on profit/loss for the year

Current tax for the year	0	0
Adjustment of tax concerning previous years	-339,789	-300,718
	<u><b>-339,789</b></u>	<u><b>-300,718</b></u>



## Notes to the Financial Statements

### 6 Intangible assets

	Acquired licenses <u>DKK</u>
Cost at 1 April	866,340
Cost at 31 March	<u>866,340</u>
Impairment losses and amortisation at 1 April	736,807
Amortisation for the year	<u>51,602</u>
Impairment losses and amortisation at 31 March	<u>788,409</u>
<b>Carrying amount at 31 March</b>	<b><u>77,931</u></b>

### 7 Property, plant and equipment

	<u>Land and buildings DKK</u>	Other fixtures and fittings, tools and equipment <u>DKK</u>
Cost at 1 April	34,128,792	10,654,528
Additions for the year	<u>911,261</u>	<u>870,793</u>
Cost at 31 March	<u>35,040,053</u>	<u>11,525,321</u>
Impairment losses and depreciation at 1 April	25,961,895	9,666,649
Depreciation for the year	<u>854,232</u>	<u>982,307</u>
Impairment losses and depreciation at 31 March	<u>26,816,127</u>	<u>10,648,956</u>
<b>Carrying amount at 31 March</b>	<b><u>8,223,926</u></b>	<b><u>876,365</u></b>

## Notes to the Financial Statements

	<u>2020</u> DKK	<u>2019</u> DKK
<b>8 Inventories</b>		
Finished goods and goods for resale	17,804,122	17,799,293
Prepayments for goods	<u>780,856</u>	<u>1,102,712</u>
	<b><u>18,584,978</u></b>	<b><u>18,902,005</u></b>

### 9 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions and interest as well as fair value adjustments of derivative financial instruments with a positive fair value.

### 10 Equity

The share capital is broken down as follow:

	<u>Number</u>	<u>Nominal value</u> DKK
A-shares	6,500	1,000
B-shares	30	10,000
C-shares	45	<u>100,000</u>
		<b><u>111,000</u></b>

	<u>2019/20</u> DKK	<u>2018/19</u> DKK
<b>11 Distribution of profit</b>		
Retained earnings	<u>-12,486,338</u>	<u>-10,426,299</u>
	<b><u>-12,486,338</u></b>	<b><u>-10,426,299</u></b>

# Notes to the Financial Statements

## 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:

	<u>2020</u> DKK	<u>2019</u> DKK
<b>Other payables</b>		
Between 1 and 5 years	3,393,335	0
Long-term part	3,393,335	0
Other short-term payables	8,993,775	13,019,911
	<b><u>12,387,110</u></b>	<b><u>13,019,911</u></b>

## 13 Cash flow statement - adjustments

Financial income	-23,264	-27,929
Financial expenses	1,116,422	832,627
Depreciation, amortisation and impairment losses, including losses and gains on sales	1,888,141	2,034,870
Tax on profit/loss for the year	-339,789	-300,718
	<b><u>2,641,510</u></b>	<b><u>2,538,850</u></b>

## 14 Cash flow statement - change in working capital

Change in inventories	317,025	1,091,419
Change in receivables	5,331,645	-1,221,349
Change in trade payables, etc	-1,591,127	4,604,380
	<b><u>4,057,543</u></b>	<b><u>4,474,450</u></b>

## Notes to the Financial Statements

	2020 DKK	2019 DKK
<b>15 Contingent assets, liabilities and other financial obligations</b>		
<b>Charges and security</b>		
The following assets have been placed as security with mortgage credit institutes:		
Buildings with an amount of	<u>8,223,926</u>	<u>8,166,897</u>
<b>Rental and lease obligations</b>		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	4,201,664	4,946,694
Between 1 and 5 years	3,578,071	3,697,051
After 5 years	<u>6,308</u>	<u>0</u>
	<b><u>7,786,043</u></b>	<b><u>8,643,745</u></b>
Rental obligations. Total future rental payments:	<u>224,000</u>	<u>649,443</u>

### Other contingent liabilities

The Danish group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. Moreover, the Danish 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.

## 16 Related parties

### Basis

#### Controlling interest

Berner Trading Holding GmbH, Bernerstrasse 6, 74653 Künzelsau, Germany, HRB 739678      Parent company

# Notes to the Financial Statements

## 16 Related parties (continued)

### Transactions

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

### Consolidated Financial Statements

The company is included in the consolidated report for the parent company

Name	Place of registered office
Berner Trading Holding GmbH	Bernerstrasse 6, 74653 Künzelsau, Germany, HRB 739678

The Group Annual Report of Berner Trading Holding GmbH may be obtained at the following address:

Bernerstrasse 6, 74653 Künzelsau, Germany, HRB 739678

# Notes to the Financial Statements

## 17 Accounting Policies

The Annual Report of Berner A/S for 2019/20 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 2019/20 are presented in DKK.

### 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.

# Notes to the Financial Statements

## 17 Accounting Policies (continued)

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

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

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

## 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.

### 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.

### Gross profit/loss

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

# Notes to the Financial Statements

## 17 Accounting Policies (continued)

### **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. Amortisation of acquired licenses is also included to the extent that acquired licenses relates to distribution activities.

### **Administrative expenses**

Administrative expenses comprise expenses for Management, administrative staff, office expenses, depreciation, etc. Amortisation of acquired licenses is also included to the extent that acquired licenses relates to administrative activities.

### **Financial income and expenses**

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

### **Tax on profit/loss for the year**

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with Danish group enterprises. The tax effect of the joint taxation is allocated to Danish group enterprises in proportion to their taxable incomes.

## **Balance Sheet**

### **Intangible assets**

Patents and licences are measured at the lower of cost less accumulated amortisation and recoverable amount. Patents are amortised over the remaining patent period, and licences are amortised over the licence period; however not exceeding 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.



# Notes to the Financial Statements

## 17 Accounting Policies (continued)

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:

Buildings	25 years
Other fixtures and fittings, tools and equipment	3-15 years

Depreciation period and residual value are reassessed annually.

### Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

### 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.

### 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.

# Notes to the Financial Statements

## 17 Accounting Policies (continued)

### Equity

#### *Dividend*

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

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

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

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

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

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

#### **Financial debts**

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

# Notes to the Financial Statements

## 17 Accounting Policies (continued)

### 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.

#### 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".

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

# Notes to the Financial Statements

## 17 Accounting Policies (continued)

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