

ANNUAL REPORT 2022



The Annual General Meeting adopted
the annual report on 10.05.2023

The Army-Painter ApS
Christiansmindevej 12
8660 Skanderborg
CVR No. 30720121

Line Nymann Penstoft
Chairman of the General Meeting

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ENTITY DETAILS

Entity

The Army-Painter ApS
Christiansmindevej 12
8660 Skanderborg

Business Registration No.: 30720121
Registered office: Skanderborg
Financial year: 01.01.2022 - 31.12.2022

Board of Directors

Jens Jørgen Hahn-Petersen, chairman
Lars Prisak
Joachim Lindkvist
Line Nymann Penstoft
Lasse Hadberg Lynge
Jeppe Kallesøe Odefey

Executive Board

Sten Dyrmosø, CEO

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
City Tower, Værkmestergade 2
8000 Aarhus C



STATEMENT BY MANAGEMENT

The Board of Directors and the Executive Board have today considered and approved the annual report of The Army-Painter ApS for the financial year 01.01.2022 - 31.12.2022

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2022 and of the results of its operations for the financial year 01.01.2022 - 31.12.2022

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.

Skanderborg, 10.05.2023

Executive Board

Sten Dyrmosø
CEO

Board of Directors

Jens Jørgen Hahn-Petersen
chairman

Lars Prisak

Joachim Lindkvist

Line Nymann Penstoft

Lasse Hadberg Lynge

Jeppe Kallesøe Odefey



INDEPENDENT AUDITOR'S REPORT

To the shareholders of The Army Painter ApS

Opinion

We have audited the financial statements of The Army Painter ApS for the financial year 01.01.2022 - 31.12.2022, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2022 and of the results of its operations for the financial year 01.01.2022 - 31.12.2022 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

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

In preparing the financial statements, Management is responsible for assessing the 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 financial statements unless Management either intends to liquidate the Entity 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 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 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 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 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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the 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 financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the 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 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.

Aarhus, 10.05.2023

Deloitte.

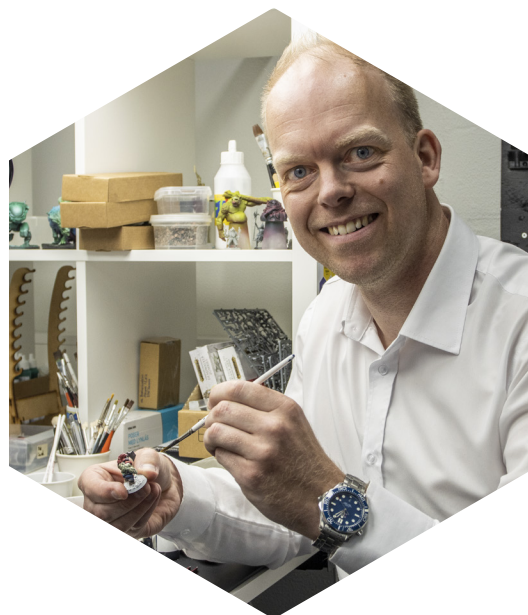
Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Mads Fauerskov

State Authorised Public Accountant
Identification No (MNE) mne35428

Marie Louise Vester Sørensen

State Authorised Public Accountant
Identification No (MNE) mne47319



MANAGEMENT COMMENTARY

Financial highlights

	2022 DKK'000	2021 DKK'000	2020 DKK'000	2019 DKK'000
Key figures				
Gross profit/loss	74.636	61.356	43.754	24.229
Operating profit/loss	44.967	34.665	24.454	11.497
Net financials	1.390	(212)	(1.145)	51
Profit/loss for the year	36.135	26.584	18.176	8.981
Total assets	68.064	73.814	53.499	19.595
Investments in property, plant and equipment	736	5.837	6.839	376
Equity	39.433	36.298	21.714	16.538
Ratios				
Equity ratio (%)	57.94	49.17	40.59	84,40

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the CFA Society Denmark.

Equity ratio (%) :

$$\frac{\text{Equity} * 100}{\text{Total assets}}$$



Primary activities

The private equity fund CataCap III K/S has invested in The Army Painter ApS and indirectly owns the majority of the shares in the company as a result of the acquisition completed on January 10th, 2023.

CataCap is a member of 'Aktive Ejere'.

The Army Painter's primary activities are sale, production, and packaging of painting kits for the hobby and wargaming niche as well as other accessories for wargaming. Sales are made across the world to both distributors and end users. Production and packaging primarily takes place in Skanderborg, Denmark.

The Army Painter has experienced rapid growth across markets and sales channels and has more than tripled its revenue over the past four years.

Development in activities and finances

During 2022, The Army Painter has focused on the launch of a new product line in Q1 in addition to maintaining and growing sales and the organization. Concurrently, The Army Painter has explored the potential of bringing on a partner to support the company achieve its growth ambitions. The latter resulted in CataCap investing in the company cf. noted below.

The Army Painter has managed to deliver products on time throughout the year and has been able to keep the very low out-of-stock rates from 2021 while also achieving a drop in stock level.

In 2022 the average number of employees was 55, a reduction of 2 compared to 2021. The delta stems from an increase in administrative employees that is offset by a decrease in hourly employees.

Risks

The Board of Directors of the Company and the Management continuously monitor both internal and external business risks. Below are the risks that have been deemed salient:

Currency risks

A larger share of the company's income is received in USD (US dollars). Meanwhile, a large portion of the company's procurement takes place in Europe. As such, the company continually monitors fluctuations in the USD / EURO exchange rate. Forward contracts or other financial instruments may be used to manage risk

IT risks

As with other companies of a comparable size, The Army Painter is exposed to IT risks. During 2022, the company has developed a more



comprehensive set of guidelines and procedures to minimize this risk and is continuously updating and developing this area of the business.

Suppliers

Most of The Army Painter's suppliers are European, with a minor subset being Chinese. To manage the risks of an international supplier base, all new suppliers are presented with a supplier manual and code of conduct. These policies have been developed to ensure that all products have the same quality and follow the same guidelines for production.

The Army Painter maintains close relationships with its main suppliers and adjusts forecasts throughout the year to safeguard the supply of raw materials.

Profit/loss for the year in relation to expected developments

Our expectations for 2022 was 30-40 mill. profit before tax. With the result reaching 45 mill. DKK these expectations were well met. This is a positive development from the result in 2021 (34,7 mill DKK) with a growth in profit before tax of 29,7%, which the management finds satisfactory.

Outlook

The overall market for strategic boardgames is expected to grow in 2023. In line with this, The Army Painter expects to see continued revenue growth. During 2023, the company will simultaneously invest in building out the organization to support future growth. Development of a long-term strategy will be supported by CataCap, the Board of Directors, and the strengthened Management group. Management expects EBITDA for 2023 to be in line with the result from 2022.

Environmental performance

The Army Painter does not have any formal environmental policy in place but continuously considers environmental effects of strategic, tactical, and operational decisions to secure an ongoing improvement of The Army Painter's environmental impact.

During 2023, The Army Painter will embark on an ambitious ESG plan to formalize current practices as well as continuously improve its ESG strategy and impact.

Research and development activities

The Army Painter continuously seeks to develop both its products and the wargaming niche / hobby. This is done by keeping focus on both the technical aspect of our products and developing / maintaining close contact with the end users.

Group relations

Management structure

The company's principles for good corporate governance are based on rules of procedures and management structure, consisting of Board of Directors and Management team. The Board of Directors meets according to a set schedule, at least 5 times a year. In addition, a similar number of Chairmanship meetings are held.

Governance

To provide transparency The Army Painter now follows guidelines of "Aktive Ejere" for responsible ownership and good corporate governance. On this foundation, the Board of Directors, and the Management team have established internal procedures to ensure active, secure, and value-creating management. Likewise, the Board of Directors continuously monitors the company's management structure and control systems to ensure that they are reliable and effective. At board level, the fixed procedures include monthly reporting on relevant operational and financial parameters, including risk assessment of investments and markets.

The Army Painters' top management consists of:

Board of directors

Jens Jørgen Hahn-Petersen

CHAIRMAN of the Board

since January 2023

Affiliation: Non-independent

Partner, CataCap

Suggested by CataCap

OTHER MANAGEMENT DUTIES

Executive Board

CC HoldCo III ApS

CC BidCo III ApS

CC TopCo III Invest Aps

CC TAP Invest ApS

CC HoldCo ApS

CC BidCo ApS

CC TopCo Invest ApS

DAFA MIIP ApS

CC Toaster Invest ApS

CC DAFA Invest ApS

CC North Invest ApS

CataCap General Partner III ApS

CATACAP MANAGEMENT A/S

Luxplus MIIP ApS

Globe ManCo ApS

CC Globe Invest ApS

CataCap General Partner II ApS

CC Fly Invest ApS

CATACAP GENERAL PARTNER I ApS

TPA Green ManCo ApS

Rekom ManCo ApS

CataCap DM II ApS

CC II Management Invest 2017 GP ApS

CataCap DM ApS

CataCap OP ApS

PROSPERITAS ApS

Chairman

The Army Painter Group ApS
The Army Painter Group Holding
The Army Painter ApS

Deputy Chairman

Nordmark Coating ApS
EJENDOMMEN ELLEHAMMERVEJ 11, SKAGEN ApS
Nordmark Group ApS
EJENDOMSSELSKABET GYLDENDALSVEJ A/S
Nordmark Properties ApS
Nordmark Group Holding ApS
Nordmark Production A/S
Nordmark Maskinfabrik A/S

Board member

CC Globe Holding II A/S
CC Globe Holding I ApS
Group Online A/S
CataCap General Partner II ApS
CC Green Wall Invest ApS

Lasse Hadberg Lynge**DEPUTY CHAIRMAN**

since January 2023
Affiliation: Non-independent
Suggested by CataCap

OTHER MANAGEMENT DUTIES

Executive Board
LHLH ApS

Deputy chairman

The Army Painter Group ApS
The Army Painter Group Holding ApS
The Army Painter ApS

Joachim Lindkvist**BOARD MEMBER**

since January 2023
Affiliation: Non-independent
Suggested by CataCap

OTHER MANAGEMENT DUTIES**Executive Board**

JLI Invest ApS

Board member

The Army Painter Group Holding ApS
The Army Painter Group ApS

Jeppe Kallesøe Odefey

BOARD MEMBER

since January 2023

Affiliation: Independent

Suggested by CataCap

OTHER MANAGEMENT DUTIES

Executive Board

Rainbow BidCo ApS

Rainbow TopCo ApS

Hobbii A/S (Adm. Direktør)

Odekall management ApS

Board member

The Army Painter Group Holding ApS

The Army Painter Group ApS

G.O. Transport & Expedition A/S

G.O. Trans A/S

G.O. Holding A/S

Holger Kristiansens Eft. Aalborg A/S

Lars Prisak

BOARD MEMBER

since January 2023

Affiliation: Independent

Suggested by Mørck Family Holding ApS

OTHER MANAGEMENT DUTIES

Executive Board

Triarca A/S

Triarca Holding Aps

AE2017 Bidco ApS

Lanpri ApS

LH Investering ApS

Jeksen Farm ApS

Prisak Invest ApS

Chairman

B6 A/S

B6 Nordic A/S

Board member

Hamag A/S

AE2017 Bidco ApS

The Army Painter Group Holding ApS

The Army Painter Group ApS

Line Nymann Penstoft

BOARD MEMBER

since January 2023

Affiliation: Non-independent

Suggested by Mørck Family Holding ApS

OTHER MANAGEMENT DUTIES

Chief Financial Officer, The Army Painter ApS

Board member

The Army Painter Group Holding ApS

The Army Painter Group ApS

Sten Dyrmosé

CEO

CEO since 2023

Affiliation: Independent

Events after the balance sheet date

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date other than the described majority investment by CataCap.

INCOME STATEMENT FOR 2022

	Notes	2022 DKK	2021 DKK
Gross profit/loss		74.635.758	61.356.029
Staff costs	2	(26.826.492)	(24.410.111)
Depreciation, amortisation and impairment losses	3	(2.842.068)	(2.280.614)
Operating profit/loss		44.967.198	34.665.304
Income from investments in group enterprises		34.640	0
Other financial income		5.609.036	1.198.467
Other financial expenses		(4.218.579)	(1.410.023)
Profit/loss before tax		46.392.295	34.453.748
Tax on profit/loss for the year	4	(10.257.613)	(7.869.508)
Profit/loss for the year	5	36.134.682	26.584.240

BALANCE SHEET AT 31.12.2022

Assets

	Note	2022 kr.	2021 kr.
Other fixtures and fittings, tools and equipment		7.500.268	9.583.939
Leasehold improvements		159.830	218.615
Property, plant and equipment	6	7.660.098	9.802.554
Investments in group enterprises		44.776	0
Deposits		754.965	758.751
Financial assets	7	799.741	758.751
Fixed assets		8.459.839	10.561.305
Raw materials and consumables		12.367.170	12.498.038
Work in progress		5.471.889	5.128.776
Manufactured goods and goods for resale		26.201.865	27.596.498
Prepayments for goods		415.978	385.818
Inventories		44.456.902	45.609.130
Trade receivables		12.553.375	15.159.861
Receivables from group enterprises		86.695	635.312
Other receivables		0	6.378
Joint taxation contribution receivable		1.816.788	0
Prepayments	8	352.898	321.241
Receivables		14.809.756	16.122.792
Cash		337.289	1.520.772
Current assets		59.603.947	63.252.694
Assets		68.063.786	73.813.999

Equity and liabilities

	Notes	2022 DKK	2021 DKK
Contributed capital		125.000	125.000
Reserve for net revaluation according to the equity method		34.640	0
Retained earnings		39.273.044	36.173.002
Equity		39.432.684	36.298.002
Deferred tax	9	1.030.000	1.232.000
Provisions		1.030.000	1.232.000
Lease liabilities		4.060.761	4.967.673
Non-current liabilities other than provisions	10	4.060.761	4.967.673
Current portion of non-current liabilities other than provisions	10	721.852	1.580.267
Bank loans		10.600.064	11.158.033
Prepayments received from customers		212.775	0
Trade payables		5.578.444	4.575.288
Payables to group enterprises		1.276.401	1.400.000
Tax payable		0	1.222.628
Other payables		2.710.170	4.672.933
Deferred income	11	2.440.635	6.707.175
Current liabilities other than provisions		23.540.341	31.316.324
Liabilities other than provisions		27.601.102	36.283.997
Equity and liabilities		68.063.786	73.813.999

Events after the balance sheet date	1
Contingent liabilities	12
Assets charged and collateral	13
Related parties with controlling interest	14
Non-arm's length related party transactions	15
Group relations	16

STATEMENT OF CHANGES IN EQUITY FOR 2022

	Contributed capital DKK	Reserve for net revaluation according to the equity method DKK	Retained earnings DKK	Proposed extraordinary dividend DKK	Total DKK
Equity beginning of year	125.000	0	36.173.002	0	36.298.002
Extraordinary dividend paid	0	0	0	(33.000.000)	(33.000.000)
Profit/loss for the year	0	34.640	3.100.042	33.000.000)	36.134.682
Equity end of year	125.000	34.640	39.273.044	0	39.432.684

NOTES

1 Events after the balance sheet date

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date other than the described CataCap acquisition of the majority of shares.

2 Staff costs

	2022 DKK	2021 DKK
Wages and salaries	23.018.255	21.197.406
Pension costs	3.303.421	2.446.618
Other social security costs	456.203	475.506
Other staff costs	48.613	290.581
	26.826.492	24.410.111
Average number of full-time employees	55	57

Information on the total remuneration for management members is not provided with reference to ÅRL §98b, subsection 3, No. 2

3 Depreciation, amortisation and impairment losses

	2022 DKK	2021 DKK
Depreciation of property, plant and equipment	2.838.068	2.287.614
Profit/loss from sale of intangible assets and property, plant and equipment	4.000	(7.000)
	2.842.068	2.280.614

4 Tax on profit/loss for the year

	2022 DKK	2021 DKK
Current tax	10.405.840	6.722.628
Change in deferred tax	(202.000)	981.000
Adjustment concerning previous years	53.773	165.880
	10.257.613	7.869.508

5 Proposed distribution of profit and loss

	2022 DKK	2021 DKK
Extraordinary dividend distributed in the financial year	33.000.000	0
Retained earnings	3.134.682	26.584.240
	36.134.682	26.584.240

6 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK
Cost beginning of year	14.007.339	279.672
Additions	735.612	0
Disposals	(64.000)	0
Cost end of year	14.678.951	279.672
Depreciation and impairment losses beginning of year	(4.423.400)	(61.057)
Depreciation for the year	(2.779.283)	(58.785)
Reversal regarding disposals	24.000.	0
Depreciation and impairment losses end of year	(7.178.683)	(119.842)
Carrying amount end of year	7.500.268	159.830
Recognised assets not owned by entity	5.481.429	0

7 Financial assets

	Investments in group enterprises DKK	Deposits DKK
Cost beginning of year	0.	758.751
Additions	10.136	0
Disposals	0.	(3.786)
Cost end of year	10.136	754.965
Share of profit/loss for the year	34.640.	0
Revaluations end of year	34.640.	0
Carrying amount end of year	44.776	754.965

Investments in subsidiaries

	Registered in	Corporate form	Equity interest %
The Army Painter US, Inc	Delaware	Inc.	100,00

8 Prepayments

Prepayments consist of prepaid costs.

9 Deferred tax

	2022 DKK	2021 DKK
Property, plant and equipment	1.338.000	1.845.000
Inventories	744.000	828.000
Liabilities other than provisions	(1.052.000)	(1.441.000)
Deferred tax	1.030.000	1.232.000

	2022 DKK	2021 DKK
Changes during the year		
Beginning of year	1.232.000	251.000
Recognised in the income statement	(202.000)	981.000
End of year	1.030.000	1.232.000

10 Non-current liabilities other than provisions

	Due within 12 months 2022 DKK	Due within 12 months 2021 DKK	Due after more than 12 months 2022 DKK.
Lease liabilities	721.852	1.580.267	4.060.761
	721.852	1.580.267	4.060.761

There is no debt due after 5 years.

11 Deferred income

Deferred Income consist of floating sales orders where the customer has paid, but the risk transfer has not occurred on the balance sheet date.

12 Contingent liabilities

	2022 DKK.	2021 DKK
Recourse and non-recourse guarantee commitments	5.598.906	6.648.126
Contingent liabilities	5.598.906	6.648.126

The Entity participates in a Danish joint taxation arrangement where Mørck Invest ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities, royalties and dividend for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

From 10 January 2023, the Entity participates in a Danish joint taxation arrangement where CC TAP Invest ApS serves as the administration company.

The Entity has entered into an agreement with a supplier on the minimum purchase of raw materials. The company's obligation per 31.12.2022 amounts to a total of: DKK 16,580,000.

13 Assets charged and collateral

As security for all the Company's bank debt, the Company has granted a floating charge of DKK 4,000k on intellectual property rights, other fixtures and fittings, tools and equipment, trade receivables and inventories.

The carrying amount of assets charged at 31.12.2022 is DKK 65,384k (31.12.2021: DKK 69,919k).

14 Related parties with controlling interest

Mørck Family Holding ApS owns all shares in the Entity, thus exercising control.

Ultimately, Bo Mørck Pensoft owns 55% of the shares and, in addition, has the exercising control.

15 Non-arm's length related party transactions

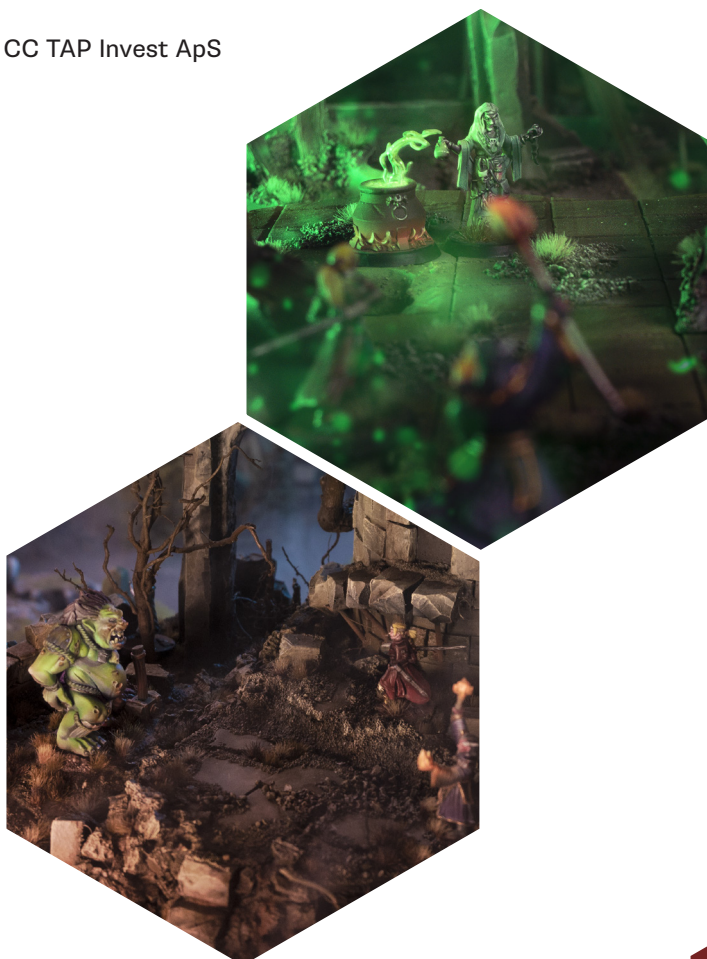
Only related party transactions not conducted on an arm's length basis are disclosed in the annual report. No such transactions have been conducted in the financial year.

16 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group: Mørck Family Holding ApS, Skanderborg, CVR-nr. 41 97 97 63

Name and registered office of the Parent preparing consolidated financial statements for the smallest group: Mørck Family Holding ApS, Skanderborg, CVR-nr. 41 97 97 63

At 10 January 2023, the Company was sold, and CC TAP Invest ApS took over control of the Company.



ACCOUNTING POLICIES

Reporting class

This annual report has been prepared in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

The accounting policies applied to these financial statements are consistent with those applied last year.

Consolidated financial statements

Referring to section 112(1) of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

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.

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 rate 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.

Exchange adjustments of outstanding accounts with independent foreign subsidiaries, which are considered part of the total investment in the subsidiary in question, are recognised directly in the translation reserve in equity.

When recognising foreign subsidiaries that are integral entities, monetary assets and liabilities are translated using the exchange rates at the balance sheet date. Non-monetary assets and liabilities are translated at the exchange rate at the time of acquisition or the time of any subsequent revaluation or writedown. The items of the income statement are translated at the average rates of the months; however, items deriving from non-monetary assets and liabilities are translated using the historical rates applicable to the relevant non-monetary items.

Income statement

Gross profit or loss

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

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed 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 goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

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 writedowns of receivables recognised in current assets.

Staff costs

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

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to property, plant and equipment assets comprise depreciation, amortisation and impairment losses for the financial year, and gains and losses from the sale of property, plant and equipment.

Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of intra-group profits or losses.

Other financial income

Other financial income comprises interest income, and payables and transactions in foreign currencies.

Other financial expenses

Other financial expenses comprise interest expenses and payables and transactions in foreign currencies.

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.

Balance sheet

Property, plant and equipment

Other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

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 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:

	Useful life
Other fixtures and fittings, tools and equipment	3-6 years
Leasehold improvements	5 years

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

Estimated useful lives and residual values are reassessed annually.

Items of 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 value.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to the reserve for net revaluation according to the equity method in 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 of machinery, factory buildings and equipment used in the manufacturing process, and costs of factory administration and management. Finance costs are not included in cost.

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 writedowns for bad and doubtful debts.

Joint taxation contributions receivable or payable

Current joint taxation contributions payable or joint taxation contributions receivable are recognised in the balance sheet, calculated as tax computed on the taxable income for the year, which has been adjusted for prepaid tax.

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. Proposed dividend for the financial year is disclosed as a separate item in equity. Extraordinary dividend adopted in the financial year is recognised directly in equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

Deferred tax

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

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.

Lease liabilities

Lease liabilities relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease liabilities are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

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.

Tax receivable or payable

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

Deferred income

Deferred income comprises income received for recognition in subsequent financial years. Deferred income is measured at cost.

Cash flow statement

Referring to section 86(4) of the Danish Financial Statements Act, the Entity has prepared no cash flow statement as such statement is included in the consolidated cash flow statement of Mørck Family Holding ApS, Business Reg. No. 43 58 32 04.

