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# ***SkyBrands A/S***

Roskildevej 6, DK-7100 Vejle

## **Annual Report for 1 January - 31 December 2018**

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CVR No 31 34 84 55

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
27/2 2019

Jens Jørgen Hahn-Petersen  
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 January - 31 December 2018	9
Balance Sheet 31 December 2018	10
Statement of Changes in Equity	12
Notes to the Financial Statements	13

# Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of SkyBrands A/S for the financial year 1 January - 31 December 2018.

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 December 2018 of the Company and of the results of the Company operations for 2018.

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.

Vejle, 27 February 2019

## Executive Board

John Lauridsen

## Board of Directors

Jens Jørgen Hahn-Petersen

Stig Løkke Pedersen

Hans Nielsen  
Chairman

Rasmus Philip Buhl Lokvig

# Independent Auditor's Report

To the Shareholder of SkyBrands A/S

## Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of SkyBrands A/S for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity 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.

## Management's responsibilities for the Financial Statements

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

# Independent Auditor's Report

ment, whether due to fraud or error.

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

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

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

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events

# Independent Auditor's Report

in a manner that gives a true and fair view.

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

Trekantområdet, 27 February 2019

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 77 12 31*

Lars Almskou Ohmeyer  
State Authorised Public Accountant  
mne24817

John Lindholm Bode  
State Authorised Public Accountant  
mne32840

## **Company Information**

### **The Company**

SkyBrands A/S  
Roskildevej 6  
DK-7100 Vejle

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Facsimile: + 45 75 72 30 50  
E-mail: info@skybrands.net  
Website: www.skybrands.net

CVR No: 31 34 84 55  
Financial period: 1 January - 31 December  
Municipality of reg. office: Vejle

### **Board of Directors**

Jens Jørgen Hahn-Petersen  
Stig Løkke Pedersen  
Hans Nielsen, Chairman  
Rasmus Philip Buhl Lokvig

### **Executive Board**

John Lauridsen

### **Auditors**

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
Herredsvej 32  
DK-7100 Vejle

## Financial Highlights

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

	2018 DKK '000	2017 DKK '000	2016 DKK '000	2015 DKK '000	2014 DKK '000
<b>Key figures</b>					
<b>Profit/loss</b>					
Operating profit/loss	5,811	9,271	18,364	36,039	31,042
Profit/loss before financial income and expenses	5,769	9,271	18,364	36,039	31,042
Net financials	1,707	-4,260	1,512	7,819	746
Net profit/loss for the year	5,989	4,007	15,541	34,780	24,187
<b>Balance sheet</b>					
Balance sheet total	61,342	46,451	79,699	47,423	41,810
Equity	15,779	9,389	50,031	34,946	25,474
Investment in property, plant and equipment	21	0	12	-357	279
Number of employees	13	15	15	14	13
<b>Ratios</b>					
Return on assets	9.4%	20.0%	23.0%	76.0%	74.2%
Solvency ratio	25.7%	20.2%	62.8%	73.7%	60.9%
Return on equity	47.6%	13.5%	36.6%	115.1%	117.5%

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

The Annual Report of SkyBrands A/S for 2018 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B.

## **Main activity**

The main activity of SkyBrands A/S relates to commercial activities in branded home and apparel textile products. The Group designs, produces (through sub-suppliers) and sells branded home and apparel textile products, where brands are licensed from brand-owners such as Disney or Universal.

SkyBrands A/S owns shares in subsidiaries in the SkyBrands Group, which in excess of SkyBrands A/S comprises SkyBrands GmbH (headquartered in Germany) (collectively all companies are referred to as the "Group").

## **Development in the year**

The income statement of the Company for 2018 shows a profit of DKK '000 5,989, and at 31 December 2018 the balance sheet of the Company shows equity of DKK '000 15,779.

The Group result for 2018 is not satisfactory and can among other factors be attributed to increased competition and price pressure in the market. Further contributing to the result is the continued investment in the distribution footprint outside the Nordics.

## **Special risks - market and financial**

The Board of Directors of the Company and the Management of the Group continuously monitor both internal and external business risks. Below are the risks that has been assessed as being particularly important:

### ***Market risks***

The Group operates within the segments of home and apparel textiles. Generally, textile products within these segments have historically shown some resistance to business cycles, whereas individual brands can experience significant changes in consumer demand within seasons and from year to year. To mitigate these risks, the Group distributes products to customers (retailers and distributors) across Europe, thereby spreading the customer portfolio on several geographies and customer types. In addition, the Company operates with a portfolio of different brands.

# Management's Review

## ***Currency risks***

SkyBrands has sales operations across Europe, procurement across Europe and Asia, and reports and pays royalties to brand-owners quarterly. SkyBrands purchases mainly in USD and reports and pays royalties in USD and EUR, while sales is typically in DKK, USD or EUR. This exposes the Group to the risk of currency fluctuations. During 2018, the Group has been more exposed to this than usual, due to the extraordinary fluctuations in USD. The Group operates under a defined financial policy, which includes a policy on currency, to manage any currency-related risks. This is primarily done through the use of financial instruments to cover all expected turnover, procurement and royalty cash flows the coming 12 months at any given point in time. The Group does not speculate in currency fluctuations.

## **Competition**

The business principles are at any time compliant with the current competition laws within the areas where the Group operates.

## **Corruption**

Employees in the Group can neither give nor receive bribery of any sort or non-approved payments neither on behalf of themselves nor on behalf of the Group. Any participation in corruption will result in disciplinary actions.

## **Subsequent events**

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

## Income Statement 1 January - 31 December 2018

	Note	2018 DKK '000	2017 DKK '000
<b>Gross profit/loss</b>		<b>14,927</b>	<b>19,679</b>
Staff expenses	1	-8,957	-10,236
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-159	-172
Other operating expenses		-42	0
<b>Profit before financial income and expenses</b>		<b>5,769</b>	<b>9,271</b>
Income from investments in subsidiaries		793	-1,805
Income from investments in associates		0	2,106
Financial income	2	1,795	1,240
Financial expenses	3	-881	-5,801
<b>Profit before tax</b>		<b>7,476</b>	<b>5,011</b>
Tax on profit for the year	4	-1,487	-1,004
<b>Net profit/loss for the year</b>		<b>5,989</b>	<b>4,007</b>

## Distribution of profit

### Proposed distribution of profit

Extraordinary dividend paid	0	42,000
Reserve for net revaluation under the equity method	0	-2,325
Retained earnings	5,989	-35,668
	<b>5,989</b>	<b>4,007</b>

## Balance Sheet 31 December 2018

### Assets

	Note	2018 DKK '000	2017 DKK '000
Other fixtures and fittings, tools and equipment		260	606
<b>Property, plant and equipment</b>	5	<b>260</b>	<b>606</b>
Investments in subsidiaries	6	1,029	235
Deposits	7	406	400
<b>Fixed asset investments</b>		<b>1,435</b>	<b>635</b>
<b>Fixed assets</b>		<b>1,695</b>	<b>1,241</b>
Finished goods and goods for resale		2,952	2,727
Prepayments for goods		53	304
<b>Inventories</b>		<b>3,005</b>	<b>3,031</b>
Trade receivables		4,870	7,269
Receivables from group enterprises		45,867	22,570
Other receivables		2,275	7,041
Corporation tax		102	0
Prepayments	8	325	368
<b>Receivables</b>		<b>53,439</b>	<b>37,248</b>
<b>Cash at bank and in hand</b>		<b>3,203</b>	<b>4,931</b>
<b>Currents assets</b>		<b>59,647</b>	<b>45,210</b>
<b>Assets</b>		<b>61,342</b>	<b>46,451</b>

# Balance Sheet 31 December 2018

## Liabilities and equity

	Note	2018 DKK '000	2017 DKK '000
Share capital		1,000	1,000
Retained earnings		14,779	8,389
<b>Equity</b>		<b>15,779</b>	<b>9,389</b>
Provision for deferred tax	10	422	272
<b>Provisions</b>		<b>422</b>	<b>272</b>
Credit institutions		37,800	29,053
Prepayments received from customers		0	148
Trade payables		4,164	4,571
Payables to group enterprises		1,578	64
Corporation tax		0	1,381
Other payables		1,599	1,573
<b>Short-term debt</b>		<b>45,141</b>	<b>36,790</b>
<b>Debt</b>		<b>45,141</b>	<b>36,790</b>
<b>Liabilities and equity</b>		<b>61,342</b>	<b>46,451</b>
Distribution of profit	9		
Contingent assets, liabilities and other financial obligations	11		
Related parties	12		
Accounting Policies	13		

## Statement of Changes in Equity

	Share capital	Retained earnings	Total
	DKK '000	DKK '000	DKK '000
Equity at 1 January	1,000	8,389	9,389
Exchange adjustments	0	2	2
Fair value adjustment of hedging instruments, beginning of year	0	290	290
Fair value adjustment of hedging instruments, end of year	0	222	222
Tax on adjustment of hedging instruments for the year	0	-113	-113
Net profit/loss for the year	0	5,989	5,989
<b>Equity at 31 December</b>	<b>1,000</b>	<b>14,779</b>	<b>15,779</b>

# Notes to the Financial Statements

	2018 <u>DKK '000</u>	2017 <u>DKK '000</u>
<b>1 Staff expenses</b>		
Wages and salaries	8,125	9,260
Pensions	353	327
Other social security expenses	104	101
Other staff expenses	375	548
	<u>8,957</u>	<u>10,236</u>
<b>Average number of employees</b>	<u>13</u>	<u>15</u>
<b>2 Financial income</b>		
Interest received from group enterprises	1,352	1,235
Other financial income	0	3
Exchange adjustments	443	2
	<u>1,795</u>	<u>1,240</u>
<b>3 Financial expenses</b>		
Impairment losses on financial assets	0	4,238
Other financial expenses	881	1,563
	<u>881</u>	<u>5,801</u>
<b>4 Tax on profit for the year</b>		
Current tax for the year	1,449	1,381
Deferred tax for the year	151	100
	<u>1,600</u>	<u>1,481</u>
which breaks down as follows:		
Tax on profit/loss for the year	1,487	1,004
Tax on changes in equity	113	477
	<u>1,600</u>	<u>1,481</u>

# Notes to the Financial Statements

## 5 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK '000
Cost at 1 January	2,160
Additions for the year	21
Disposals for the year	-398
Cost at 31 December	<u>1,783</u>
Impairment losses and depreciation at 1 January	1,554
Depreciation for the year	160
Impairment and depreciation of sold assets for the year	-191
Impairment losses and depreciation at 31 December	<u>1,523</u>
<b>Carrying amount at 31 December</b>	<b><u>260</u></b>

## 6 Investments in subsidiaries

	2018 DKK '000	2017 DKK '000
Cost at 1 January	1,742	1,746
Exchange adjustment	1	-4
Cost at 31 December	<u>1,743</u>	<u>1,742</u>
Value adjustments at 1 January	-1,508	-1,642
Disposals for the year	0	1,944
Exchange adjustment	1	-4
Net profit/loss for the year	793	-1,805
Value adjustments at 31 December	<u>-714</u>	<u>-1,507</u>
<b>Carrying amount at 31 December</b>	<b><u>1,029</u></b>	<b><u>235</u></b>

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
SkyBrands GmbH	Gütersloh, DE	EUR 40,000	70%



# Notes to the Financial Statements

## 7 Other fixed asset investments

	Deposits DKK '000
Cost at 1 January	400
Additions for the year	6
Cost at 31 December	406
<b>Carrying amount at 31 December</b>	<b>406</b>

## 8 Prepayments

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

## 9 Distribution of profit

	2018 DKK '000	2017 DKK '000
Extraordinary dividend paid	0	42,000
Reserve for net revaluation under the equity method	0	-2,325
Retained earnings	5,989	-35,668
	<b>5,989</b>	<b>4,007</b>

## 10 Provision for deferred tax

Provision for deferred tax at 1 January	272	172
Amounts recognised in the income statement for the year	151	100
Amounts recognised in equity for the year	-1	0
<b>Provision for deferred tax at 31 December</b>	<b>422</b>	<b>272</b>

## Notes to the Financial Statements

	2018 DKK '000	2017 DKK '000
<b>11 Contingent assets, liabilities and other financial obligations</b>		
<b>Charges and security</b>		
The following assets have been placed as security with bankers: Company charge of DKK 10,000k on unsecured claims, inventories, machinery and equipment, etc of a total carrying amount of	8,135	10,906
<b>Rental and lease obligations</b>		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	152	62
Between 1 and 5 years	179	115
	<u>331</u>	<u>177</u>

### Other contingent liabilities

The Company has assumed other contractual obligations with a minimum payment of DKK 2,474k up to December 2021.

A lease has been concluded regarding lease of the premises on Roskildevej 6, DK-7100 Vejle. The lease is interminable up to 29 May 2023. The rent obligation at 31 December 2018 is calculated at DKK 1,849k.

The Company is part of the national joint taxation with CC Sky Invest ApS as the management company and is liable for any tax liability under the joint taxation.

The Company has concluded forward exchange contracts for currency hedging of future purchased goods in USD. Fair value of forward exchange contracts is at the balance sheet date USD 3,075k.

# Notes to the Financial Statements

## 12 Related parties

### Consolidated Financial Statements

The Company is included in the Consolidated Financial Statements of its Parent Company,

<u>Name</u>	<u>Place of registered office</u>
CC Sky Invest ApS	Vejle

# Notes to the Financial Statements

## 13 Accounting Policies

The Annual Report of SkyBrands A/S for 2018 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

The Financial Statements for 2018 are presented in DKK '000.

### 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 and amortisation, impairment losses and provisions as well as any reversals due to changed accounting estimates of amounts previously recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

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

### Leases

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

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

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

# Notes to the Financial Statements

## 13 Accounting Policies (continued)

### Translation policies

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

### Hedge accounting

Changes in the fair values of financial instruments that are designated and qualify as fair value hedges of a recognised asset or a recognised liability are recognised in the income statement as are any changes in the fair value of the hedged asset or the hedged liability related to the hedged risk.

Changes in the fair values of derivative financial instruments that are designated and qualify as hedges of expected future transactions are recognised in retained earnings under equity as regards the effective portion of the hedge. The ineffective portion is recognised in the income statement. If the hedged transaction results in an asset or a liability, the amount deferred in equity is transferred from equity and recognised in the cost of the asset or the liability, respectively. If the hedged transaction results in an income or an expense, the amount deferred in equity is transferred from equity to the income statement in the period in which the hedged transaction is recognised. The amount is recognised in the same item as the hedged transaction.

Changes in the fair values of financial instruments that are designated and qualify as hedges of net investments in independent foreign subsidiaries or associates are recognised directly in equity as regards the effective portion of the hedge, whereas the ineffective portion is recognised in the income statement.

## 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.

Services are recognised at the rate of completion of the service to which the contract relates by using the percentage-of-completion method, which means that revenue equals the selling price of the service completed for the year. This method is applied when total revenues and expenses in respect of the service and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the service.

# Notes to the Financial Statements

## 13 Accounting Policies (continued)

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

### Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

### Other external expenses

Other external expenses comprise expenses for distribution, sales, advertising, administration, premises and bad debts.

### Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, expenses for raw materials and consumables and other external expenses.

### Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses other than production wages.

### Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of property, plant and equipment.

### Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of property, plant and equipment.

### Income from investments in subsidiaries

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

### Financial income and expenses

Financial income and expenses comprise interest and financial expenses in respect of realised and unrealised exchange adjustments regarding financial assets and liabilities. Financial income and expenses are recognised in the income statement at the amounts related to the year.

# Notes to the Financial Statements

## 13 Accounting Policies (continued)

### Tax on profit 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 group enterprises. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

## Balance Sheet

### Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other fixtures and fittings, tools and equipment	3-7	years
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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.

### Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method.

# Notes to the Financial Statements

## 13 Accounting Policies (continued)

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

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

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

### Other fixed asset investments

Other fixed asset investments consist of deposits.

### Inventories

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

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour.

### 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.

### Prepayments

Prepayments comprise prepaid expenses concerning the following financial year.



# Notes to the Financial Statements

## 13 Accounting Policies (continued)

### Deferred tax assets and liabilities

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

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

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

### Current tax receivables and liabilities

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

### Financial debts

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

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