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# ***SkyBrands A/S***

Roskildevej 6, DK-7100 Vejle

## **Annual Report for 1 January - 31 December 2016**

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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  
17/3 2017

Jan Kølbeek  
Chairman



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# 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 2016.

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 2016 of the Company and of the results of the Company operations for 2016.

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, 20 February 2017

## Executive Board

Jan Kølbeek

## Board of Directors

Jens Jørgen Hahn-Petersen

Vilhelm Eigil Hahn-Petersen

Hans Nielsen

Stig Løkke Pedersen

# 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 2016 and of the results of the Company operations for the financial year 1 January - 31 December 2016 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 2016, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("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 Statement 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 judgment and maintain professional skepticism throughout the audit. We also:

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

# Independent Auditor's Report

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, 20 February 2017

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 77 12 31*

Arne Kristensen  
State Authorised Public Accountant

John Lindholm Bode  
State Authorised Public Accountant

## **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  
Vilhelm Eigil Hahn-Petersen  
Hans Nielsen  
Stig Løkke Pedersen

### **Executive Board**

Jan Kølbek

### **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:

	2016 (12 months) DKK '000	2014/2015 (18 months) DKK '000	2013/2014 (12 months) DKK '000	2012/2013 (12 months) DKK '000	2011/2012 (12 months) DKK '000
<b>Key figures</b>					
<b>Profit</b>					
Operating profit	18,364	36,039	31,042	34,077	21,799
Profit before financial income and expenses	18,364	36,039	31,042	34,077	21,799
Net financials	3,764	7,819	746	-415	-673
Net profit for the year	17,793	34,780	24,187	25,251	15,856
<b>Balance sheet</b>					
Balance sheet total	81,951	47,423	41,810	30,559	43,873
Equity	52,283	34,946	25,474	15,697	6,956
Investment in property, plant and equipment	12	725	279	437	567
Number of employees	15	14	13	11	8
<b>Ratios</b>					
Return on assets	22.4%	76.0%	74.2%	111.5%	49.7%
Solvency ratio	63.8%	73.7%	60.9%	51.4%	15.9%
Return on equity	40.8%	115.1%	117.5%	222.9%	455.9%

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.

The comparative figures for the year 2014/15 comprise 18 months, and, consequently, they are not directly comparable with the other years which covers 12 months.

In connection with changes to accounting policies, the comparative figures back to 2011/12 have not been restated. See the description under accounting policies.



## Management's Review

The Annual Report of SkyBrands A/S for 2016 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class C. The provisions governing reporting class C are applied pursuant to the amended Danish Financial Statements Act.

### 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 subsuppliers) 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 Dreamtex Ltd (headquartered in the UK) and SkyBrands GmbH (headquartered in Germany) (collectively all 3 companies are referred to as the "Group").

### Development in the year

The income statement of the Company for 2016 shows a profit of DKK '000 17,793, and at 31 December 2016 the balance sheet of the Company shows equity of DKK '000 52,283.

In January 2016, the Group established a subsidiary in Germany, SkyBrands GmbH, with the aim to expand the business into Germany, Austria and Switzerland (collectively "DACH"). During the first year, SkyBrands GmbH has managed to build a sustainable business with satisfactory growth rates above expectations. For the Group, this contributed to a satisfactory increase in total revenue, driven by continued improvements in product quality, product offerings and the signing of new promising licenses throughout 2016. The development in SkyBrands GmbH and the rest of the Group increased the number of employees from 22 at 1 January 2016 to 30 at the 31 December 2016 (Included in the numbers are all companies in the Group).

The year of 2016 was a good year for SkyBrands, which, despite increasing competition in the markets where the Group operates, has delivered acceptable results. Management regards the performance of the year satisfactory and considers the Group well-positioned for future growth.

### 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:

# Management's Review

## ***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.

## ***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, EUR or GBP. This exposes the Group to the risk of currency fluctuations. During 2016, the Group has been more exposed to this than usual, due to the extraordinary fluctuations in USD and GBP. 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 2016

	Note	2016 (12 months) DKK '000	2014/2015 (18 months) DKK '000
<b>Gross profit</b>		<b>27,872</b>	<b>48,811</b>
Staff expenses	1	-9,307	-12,351
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-201	-421
<b>Profit before financial income and expenses</b>		<b>18,364</b>	<b>36,039</b>
Income from investments in subsidiaries		2,019	-1,366
Income from investments in associates		418	6,481
Financial income	2	1,583	2,942
Financial expenses	3	-256	-238
<b>Profit before tax</b>		<b>22,128</b>	<b>43,858</b>
Tax on profit for the year	4	-4,335	-9,078
<b>Net profit for the year</b>		<b>17,793</b>	<b>34,780</b>

## Distribution of profit

### Proposed distribution of profit

Extraordinary dividend paid	0	25,991
Reserve for net revaluation under the equity method	-1,201	4,848
Retained earnings	18,994	3,941
	<b>17,793</b>	<b>34,780</b>

## Balance Sheet 31 December 2016

### Assets

	Note	2016 DKK '000	2015 DKK '000
Other fixtures and fittings, tools and equipment		780	970
<b>Property, plant and equipment</b>	5	<b>780</b>	<b>970</b>
Investments in subsidiaries	6	4,298	204
Investments in associates	7	5,351	8,528
Deposits		398	396
<b>Fixed asset investments</b>		<b>10,047</b>	<b>9,128</b>
<b>Fixed assets</b>		<b>10,827</b>	<b>10,098</b>
Finished goods and goods for resale		4,797	3,914
Prepayments for goods		440	783
<b>Inventories</b>		<b>5,237</b>	<b>4,697</b>
Trade receivables		4,176	10,892
Receivables from group enterprises		56,963	5,967
Receivables from associates		0	2,528
Other receivables		2,863	3,551
Prepayments		487	456
<b>Receivables</b>		<b>64,489</b>	<b>23,394</b>
<b>Cash at bank and in hand</b>		<b>1,398</b>	<b>9,234</b>
<b>Currents assets</b>		<b>71,124</b>	<b>37,325</b>
<b>Assets</b>		<b>81,951</b>	<b>47,423</b>

# Balance Sheet 31 December 2016

## Liabilities and equity

	Note	2016 DKK '000	2015 DKK '000
Share capital		1,000	1,000
Reserve for net revaluation under the equity method		4,582	5,783
Retained earnings		46,701	28,163
<b>Equity</b>	8	<b>52,283</b>	<b>34,946</b>
Provision for deferred tax	9	172	460
<b>Provisions</b>		<b>172</b>	<b>460</b>
Credit institutions		20,676	0
Prepayments received from customers		449	1,029
Trade payables		4,873	6,718
Payables to group enterprises		426	0
Payables to associates		0	2,684
Corporation tax		1,870	426
Other payables		1,202	1,160
<b>Short-term debt</b>		<b>29,496</b>	<b>12,017</b>
<b>Debt</b>		<b>29,496</b>	<b>12,017</b>
<b>Liabilities and equity</b>		<b>81,951</b>	<b>47,423</b>
Contingent assets, liabilities and other financial obligations	10		
Related parties	11		

## Statement of Changes in Equity

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Total
	DKK '000	DKK '000	DKK '000	DKK '000
Equity at 1 January	1,000	5,783	28,164	34,947
Exchange adjustments relating to foreign entities	0	0	-725	-725
Fair value adjustment of hedging instruments, beginning of year	0	0	-757	-757
Fair value adjustment of hedging instruments, end of year	0	0	1,876	1,876
Tax on adjustment of hedging instruments for the year	0	0	-246	-246
Other equity movements	0	0	-605	-605
Net profit/loss for the year	0	-1,201	18,994	17,793
<b>Equity at 31 December</b>	<b>1,000</b>	<b>4,582</b>	<b>46,701</b>	<b>52,283</b>

# Notes to the Financial Statements

	2016 (12 months) DKK '000	2014/2015 (18 months) DKK '000
<b>1 Staff expenses</b>		
Wages and salaries	8,593	11,388
Pensions	325	477
Other social security expenses	109	162
Other staff expenses	280	324
	<u>9,307</u>	<u>12,351</u>
<b>Including remuneration to the Executive Board and Board of Directors</b>	<u>1,911</u>	<u>1,510</u>
<b>Average number of employees</b>	<u>15</u>	<u>14</u>
<b>2 Financial income</b>		
Interest received from group enterprises	1,339	0
Other financial income	44	418
Exchange adjustments	200	2,524
	<u>1,583</u>	<u>2,942</u>
<b>3 Financial expenses</b>		
Interest paid to associates	13	109
Other financial expenses	243	129
	<u>256</u>	<u>238</u>
<b>4 Tax on profit for the year</b>		
Current tax for the year	4,624	8,950
Deferred tax for the year	-289	128
	<u>4,335</u>	<u>9,078</u>

# Notes to the Financial Statements

## 5 Property, plant and equipment

	Other fixtures and fittings, tools and equipment
	DKK '000
Cost at 1 January	2,149
Additions for the year	<u>12</u>
Cost at 31 December	<u>2,161</u>
Impairment losses and depreciation at 1 January	1,179
Depreciation for the year	<u>202</u>
Impairment losses and depreciation at 31 December	<u>1,381</u>
<b>Carrying amount at 31 December</b>	<b><u>780</u></b>



## Notes to the Financial Statements

	2016 DKK '000	2015 DKK '000
<b>6 Investments in subsidiaries</b>		
Cost at 1 January	204	0
Additions for the year	1,632	204
Disposals for the year	-90	0
Cost at 31 December	<u>1,746</u>	<u>204</u>
Value adjustments at 1 January	-1,366	0
Exchange adjustment	-43	0
Net profit/loss for the year	<u>2,019</u>	<u>-1,366</u>
Value adjustments at 31 December	<u>610</u>	<u>-1,366</u>
Equity investments with negative net asset value amortised over receivables	<u>1,942</u>	<u>1,366</u>
<b>Carrying amount at 31 December</b>	<b><u>4,298</u></b>	<b><u>204</u></b>

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
SkyBrands GmbH	Gütersloh, DE	EUR 27,300	70%
SkyBrands International FZCO	Dubai, UAE	---	100%

## Notes to the Financial Statements

	2016 DKK '000	2015 DKK '000
<b>7 Investments in associates</b>		
Cost at 1 January	1,379	1,379
Cost at 31 December	1,379	1,379
Value adjustments at 1 January	7,150	935
Exchange adjustment	-681	201
Net profit/loss for the year	418	6,481
Dividends received	-2,310	-468
Other equity movements, net	-605	0
Value adjustments at 31 December	3,972	7,149
<b>Carrying amount at 31 December</b>	<b>5,351</b>	<b>8,528</b>

Investments in associates are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
Dreamtex Ltd.	Euxton, UK	GBP 300,000	50%

## 8 Equity

The share capital consists of 1,000,000 shares of a nominal value of DKK '000. No shares carry any special rights.

The share capital has developed as follows:

	2016 DKK '000	2015 DKK '000	2014 DKK '000	2013 DKK '000	2012 DKK '000
Share capital at 1 January	1,000	1,000	1,000	1,000	500
Capital increase	0	0	0	0	500
Capital decrease	0	0	0	0	0
<b>Share capital at 31 December</b>	<b>1,000</b>	<b>1,000</b>	<b>1,000</b>	<b>1,000</b>	<b>1,000</b>

## Notes to the Financial Statements

	2016 DKK '000	2015 DKK '000
<b>9 Provision for deferred tax</b>		
Provision for deferred tax at 1 January	460	333
Amounts recognised in the income statement for the year	-289	128
Amounts recognised in equity for the year	1	-1
<b>Provision for deferred tax at 31 December</b>	<b>172</b>	<b>460</b>

## 10 Contingent assets, liabilities and other financial obligations

### Contingent liabilities

The Company has assumed other contractual obligations with a minimum payment of DKK 1,020k up to June 2017.

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 2016 is calculated at DKK 2,864k.

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 kUSD 3,700.

# Notes to the Financial Statements

## 11 Related parties

### Ownership

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

Skybrands Holding ApS, Vejle

### Consolidated Financial Statements

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

Name	Place of registered office
CC Sky Invest ApS	Vejle

## **Notes, Accounting Policies**

### **Basis of Preparation**

The Annual Report of SkyBrands A/S for 2016 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

Financial Statements for 2016 are presented in DKK '000.

### **Changes in accounting policies**

The company has implemented changes to the Danish GAAP, which become effective on 1 January 2016, see Act nr. 738 af 1. juni 2015.

Changes to the Financial Statements Act, which comes into force on 1 January 2016 has not affected the Group or the parent company's assets, liabilities and financial position. December 31, 2016, but only resulted in additional disclosures in the Annual Report.

The comparative figures comprise 18 months, and, consequently, they are not directly comparable with the figures for the year which covers 12 months.

### **Cash flow statement**

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of CC Sky Invest ApS, the Company has not prepared a cash flow statement.

### **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

## Notes, Accounting Policies

balance sheet date.

### 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

### Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, revenue has not been disclosed in the Annual Report.

### 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

## **Notes, Accounting Policies**

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.

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 enterprise.

### **Other external expenses**

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

### **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 and associates**

The items “Income from investments in subsidiaries” and “Income from investments in associates” in the income statement include 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.

### **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.

# Notes, Accounting Policies

## 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

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 and associates

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

The items “Investments in subsidiaries” and “Investments in associates” 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 inter-company 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 and associates 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 and the associates.

Subsidiaries and associates 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.



## **Notes, Accounting Policies**

### **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 with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

### **Receivables**

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

### **Prepayments**

Prepayments comprise prepaid expenses concerning the following financial year.

### ***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 de-

## Notes, Accounting Policies

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