SkyBrands A/S

Roskildevej 6, DK-7100 Vejle

Annual Report for 1 January - 31 December 2017

CVR No 31 34 84 55

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 19/3 2018

Jens Jørgen Hahn-Petersen
Chairman

Contents

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 2017.

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 2017 of the Company and of the results of the Company operations for 2017.

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, 21 February 2018

Executive Board

Adrian Jonas Durrani

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 2017 and of the results of the Company's operations for the financial year 1 January - 31 December 2017 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 2017, 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.

Independent Auditor's Report

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

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

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

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- 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

Independent Auditor's Report

Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Trekantområdet, 21 February 2018
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Arne Kristensen
State Authorised Public Accountant
mne18619

John Lindholm Bode
State Authorised Public Accountant
mne32840

Company Information

The Company	SkyBrands A/S Roskildevej 6 DK-7100 Vejle Telephone: + 45 75 72 50 50 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	Adrian Jonas Durrani
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:

	2017	2016	2015	2014	2013
	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000
Key figures					
Profit/loss					
Operating profit/loss	9,271	18,364	36,039	31,042	34,077
Profit/loss before financial income and expenses	9,271	18,364	36,039	31,042	34,077
Net financials	-4,260	1,512	7,819	746	-415
Net profit/loss for the year	4,007	15,541	34,780	24,187	25,251
Balance sheet					
Balance sheet total	46,451	79,699	47,423	41,810	30,559
Equity	9,389	50,031	34,946	25,474	15,697
Investment in property, plant and equipment	0	12	-357	279	437
Number of employees	15	15	14	13	11
Ratios					
Return on assets	20.0%	23.0%	76.0%	74.2%	111.5%
Solvency ratio	20.2%	62.8%	73.7%	60.9%	51.4%
Return on equity	13.5%	36.6%	115.1%	117.5%	222.9%

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.

Management's Review

Financial Statements of SkyBrands A/S for 2017 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

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 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 2017 shows a profit of DKK '000 4,007, and at 31 December 2017 the balance sheet of the Company shows equity of DKK '000 9,389.

The Group result for 2017 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 growth 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 2017, 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 2017

	Note	2017 DKK '000	2016 DKK '000
Gross profit/loss		**19,679**	**27,872**
Staff expenses	1	-10,236	-9,307
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-172	-201
Profit before financial income and expenses		**9,271**	**18,364**
Income from investments in subsidiaries		-1,805	-233
Income from investments in associates		2,106	418
Financial income	2	1,240	1,583
Financial expenses	3	-5,801	-256
Profit before tax		**5,011**	**19,876**
Tax on profit for the year	4	-1,004	-4,335
Net profit/loss for the year		**4,007**	**15,541**

Balance Sheet 31 December 2017

Assets

	Note	2017 DKK '000	2016 DKK '000
Other fixtures and fittings, tools and equipment		606	780
Property, plant and equipment	5	**606**	**780**
Investments in subsidiaries	6	235	2,046
Investments in associates	7	0	5,351
Deposits	8	400	398
Fixed asset investments		**635**	**7,795**
Fixed assets		**1,241**	**8,575**
Finished goods and goods for resale		2,727	4,797
Prepayments for goods		304	440
Inventories		**3,031**	**5,237**
Trade receivables		7,269	4,176
Receivables from group enterprises		22,570	56,963
Other receivables		7,041	2,863
Prepayments	9	368	487
Receivables		**37,248**	**64,489**
Cash at bank and in hand		**4,931**	**1,398**
Currents assets		**45,210**	**71,124**
Assets		**46,451**	**79,699**

Balance Sheet 31 December 2017

Liabilities and equity

	Note	2017 DKK '000	2016 DKK '000
Share capital		1,000	1,000
Reserve for net revaluation under the equity method		0	2,330
Retained earnings		8,389	46,701
Equity		**9,389**	**50,031**
Provision for deferred tax	11	272	172
Provisions		**272**	**172**
Credit institutions		29,053	20,676
Prepayments received from customers		148	449
Trade payables		4,571	4,873
Payables to group enterprises		64	426
Corporation tax		1,381	1,870
Other payables		1,573	1,202
Short-term debt		**36,790**	**29,496**
Debt		**36,790**	**29,496**
Liabilities and equity		**46,451**	**79,699**
Distribution of profit	10		
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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	4,582	46,701	52,283
Net effect of correction of material misstatements	0	-2,252	0	-2,252
Adjusted equity at 1 January	1,000	2,330	46,701	50,031
Extraordinary dividend paid	0	0	-42,000	-42,000
Exchange adjustments relating to foreign entities	0	-5	0	-5
Fair value adjustment of hedging instruments, beginning of year	0	0	-1,876	-1,876
Fair value adjustment of hedging instruments, end of year	0	0	-291	-291
Tax on adjustment of hedging instruments for the year	0	0	-477	-477
Net profit/loss for the year	0	-2,325	6,332	4,007
Equity at 31 December	**1,000**	**0**	**8,389**	**9,389**

Notes to the Financial Statements

		2017	2016
		DKK '000	DKK '000
1	**Staff expenses**		
	Wages and salaries	9,260	8,593
	Pensions	327	325
	Other social security expenses	101	109
	Other staff expenses	548	280
		10,236	**9,307**
	Including remuneration to the Executive Board and Board of Directors of:		
	Executive Board	1,761	1,661
	Supervisory Board	250	250
		2,011	**1,911**
	Average number of employees	**15**	**15**
2	**Financial income**		
	Interest received from group enterprises	1,235	1,339
	Other financial income	3	44
	Exchange adjustments	2	200
		1,240	**1,583**
3	**Financial expenses**		
	Impairment losses on financial assets	4,238	0
	Interest paid to associates	0	13
	Other financial expenses	1,563	243
		5,801	**256**
4	**Tax on profit for the year**		
	Current tax for the year	904	4,624
	Deferred tax for the year	100	-289
		1,004	**4,335**

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
Cost at 31 December	2,160
Impairment losses and depreciation at 1 January	1,381
Depreciation for the year	173
Impairment losses and depreciation at 31 December	1,554
Carrying amount at 31 December	**606**

Notes to the Financial Statements

6 Investments in subsidiaries

	2017	2016
	DKK '000	DKK '000
Cost at 1 January	1,746	204
Exchange adjustment	-4	0
Additions for the year	0	1,632
Disposals for the year	0	-90
Cost at 31 December	1,742	1,746
Value adjustments at 1 January	-1,642	-1,366
Net effect of correction of material misstatements	0	-2,252
Disposals for the year	1,944	0
Exchange adjustment	-4	-43
Net profit/loss for the year	-1,805	2,019
Value adjustments at 31 December	-1,507	-1,642
Equity investments with negative net asset value amortised over receivables	0	1,942
Carrying amount at 31 December	**235**	**2,046**

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%

Notes to the Financial Statements

7 Investments in associates

	2017	2016
	DKK '000	DKK '000
Cost at 1 January	1,379	1,379
Disposals for the year	-1,379	0
Cost at 31 December	0	1,379
Value adjustments at 1 January	3,972	7,150
Disposals for the year	-4,142	0
Exchange adjustment	0	-681
Net profit/loss for the year	605	418
Dividends received	-435	-2,310
Other equity movements, net	0	-605
Value adjustments at 31 December	0	3,972
Carrying amount at 31 December	**0**	**5,351**

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 Other fixed asset investments

	Deposits
	DKK '000
Cost at 1 January	398
Additions for the year	2
Cost at 31 December	400
Impairment losses at 31 December	0
Carrying amount at 31 December	**400**

Notes to the Financial Statements

9 Prepayments

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

10 Distribution of profit

	2017 DKK '000	2016 DKK '000
Extraordinary dividend paid	42,000	0
Reserve for net revaluation under the equity method	-2,325	-892
Retained earnings	-35,668	16,433
	4,007	**15,541**

Notes to the Financial Statements

		2017	2016
		DKK '000	DKK '000
11	**Provision for deferred tax**		
	Provision for deferred tax at 1 January	172	460
	Amounts recognised in the income statement for the year	100	-289
	Amounts recognised in equity for the year	0	1
	Provision for deferred tax at 31 December	**272**	**172**

12 Contingent assets, liabilities and other financial obligations

Contingent liabilities

The Company has assumed other contractual obligations with a minimum payment of DKK 2,143k up to December 2018.

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 2017 is calculated at DKK 2,335k.

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 3,144.

Notes to the Financial Statements

13 Related parties

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 to the Financial Statements

14 Accounting Policies

The Annual Report of SkyBrands A/S for 2017 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The Financial Statements for 2017 are presented in DKK '000.

Correction of material misstatements

The current management have identified misstatements in the Annual Report of 2016 for its German subsidiary.

The misstatements are material for the financial year of 2016 and therefore corrected.

The impact of the identified misstatements is recognized directly in equity and comparative figures are adjusted.

Due to the adjustments the equity per 1st January 2017 is reduced with TDKK 2,252 to a total equity amount of TDKK 50,031.

The misstatements are adjusted in the comparative figures and therefore the opening balance of "Investments in subsidiaries" are reduced with TDKK 2,252 and the Income Statement is adjusted from a Net profit of TDKK 17,793 to TDKK 15,541.

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 statementincluding 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

Notes to the Financial Statements

14 Accounting Policies (continued)

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.

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

Notes to the Financial Statements

14 Accounting Policies (continued)

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.

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, revenue has not been disclosed in the Annual Report.

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.

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

14 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

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.

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 acquisi-

Notes to the Financial Statements

14 Accounting Policies (continued)

tion 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 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.

Notes to the Financial Statements

14 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	$\frac{\text{Profit before financials x 100}}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$