
SkyBrands A/S

Roskildevej 6, DK-7100 Vejle

Annual Report for 1 January - 31 December 2020

CVR No 31 34 84 55

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
10/3 2021

Jens Jørgen Hahn-Petersen
Chairman of the General
Meeting



pwc

Contents

	<u>Page</u>
Management's Statement and Auditor's Report	
Management's Statement	1
Independent Auditor's Report	2
Management's Review	
Company Information	5
Financial Highlights	6
Management's Review	7
Financial Statements	
Income Statement 1 January - 31 December 2020	9
Balance Sheet 31 December 2020	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 2020.

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

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2020 of the Company and of the results of the Company operations for 2020.

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, 10 March 2021

Executive Board

Jesper Dahl Sommer
CEO

Board of Directors

Michael Ejby Bjørnvig
Chairman

Jens Jørgen Hahn-Petersen
Deputy Chairman

Stig Løkke Pedersen

Lasse Hadberg Lynge

Hans Nielsen

Independent Auditor's Report

To the Shareholder of SkyBrands A/S

Report on the Financial Statements

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2020 and of the results of the Company's operations for the financial year 1 January - 31 December 2020 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 2020, 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 deter-

Independent Auditor's Report

mines 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 Company to cease to continue as a going concern.

Independent Auditor's Report

- 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.

Reporting obligations under section 7(2) of the Danish Executive Order on Approved Auditors' Reports

Non-compliance with the provisions of Danish legislation on financing of acquisition of treasury shares

Contrary to section 206 of the Danish Companies Act, the Company has granted a loan to its parent company for the purpose of settling debt incurred for the acquisition of shares in the Company, by which Management may incur liability.

After the balance sheet date the matter has been rectified.

Trekantområdet, 10 March 2021

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Lars Almskou Ohmeyer

State Authorised Public Accountant

mne24817

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

Michael Ejby Bjørnvig, Chairman
Jens Jørgen Hahn-Petersen
Stig Løkke Pedersen
Lasse Hadberg Lynge
Hans Nielsen

Executive Board

Jesper Dahl Sommer

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:

	2020	2019	2018	2017	2016
	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000
Key figures					
Profit/loss					
Operating profit/loss	-745	-669	5,811	9,271	18,364
Profit/loss before financial income and expenses	-341	-670	5,769	9,271	18,364
Net financials	4,680	378	1,707	-4,260	1,512
Net profit/loss for the year	3,416	-225	5,989	4,007	15,541
Balance sheet					
Balance sheet total	55,817	60,499	61,342	46,451	79,699
Equity	18,018	15,408	15,779	9,389	50,031
Investment in property, plant and equipment	30	16	144	0	12
Number of employees	14	14	13	15	15
Ratios					
Return on assets	-0.6%	-1.1%	9.4%	20.0%	23.0%
Solvency ratio	32.3%	25.5%	25.7%	20.2%	62.8%
Return on equity	20.4%	-1.4%	47.6%	13.5%	36.6%

Management's Review

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 the subsidiary SkyBrands GmbH (collectively all companies are referred to as the "Group" or "SkyBrands").

Development in the year

The income statement of the Company for 2020 shows a profit of DKK '000 3,416, and at 31 December 2020 the balance sheet of the Company shows equity of DKK '000 18,018.

The Company result for 2020, when adjusting for non-recurring and extraordinary costs, is considered satisfactory.

For next year, the Company expects an increase in activities and earnings based on a strong order backlog when entering 2021.

The continued outbreak of COVID-19 is not expected to have a significant direct impact on the results of the Company.

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 are typically in DKK, USD or EUR. This exposes the Group to the risk of currency fluctuations. During 2020, 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 2020

	Note	2020 DKK '000	2019 DKK '000
Gross profit/loss		9,817	7,941
Staff expenses	1	-10,085	-8,529
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-73	-81
Other operating expenses		0	-1
Profit before financial income and expenses		-341	-670
Income from investments in subsidiaries		151	37
Financial income	2	6,615	1,857
Financial expenses	3	-2,086	-1,516
Profit before tax		4,339	-292
Tax on profit for the year	4	-923	67
Net profit/loss for the year		3,416	-225

Distribution of profit

Proposed distribution of profit

Retained earnings	3,416	-225
	3,416	-225
Extraordinary dividend after year end	16,800	0

Balance Sheet 31 December 2020

Assets

	Note	2020 DKK '000	2019 DKK '000
Other fixtures and fittings, tools and equipment		139	182
Property, plant and equipment	5	139	182
Investments in subsidiaries	6	1,224	1,066
Deposits	7	412	409
Fixed asset investments		1,636	1,475
Fixed assets		1,775	1,657
Finished goods and goods for resale		2,994	1,753
Prepayments for goods		30	125
Inventories		3,024	1,878
Trade receivables		8,895	4,155
Receivables from group enterprises		41,462	46,892
Other receivables		571	3,866
Corporation tax		0	587
Prepayments	8	65	406
Receivables		50,993	55,906
Cash at bank and in hand		25	1,058
Currents assets		54,042	58,842
Assets		55,817	60,499

Balance Sheet 31 December 2020

Liabilities and equity

	Note	2020 DKK '000	2019 DKK '000
Share capital		1,000	1,000
Reserve for hedging transactions		-786	0
Retained earnings		17,804	14,408
Equity		18,018	15,408
Provision for deferred tax	10	78	314
Provisions		78	314
Other payables		675	254
Long-term debt	11	675	254
Credit institutions		21,071	36,279
Prepayments received from customers		71	9
Trade payables		10,720	5,859
Payables to group enterprises		832	1,456
Payables to group enterprises relating to corporation tax		930	0
Other payables	11	3,422	920
Short-term debt		37,046	44,523
Debt		37,721	44,777
Liabilities and equity		55,817	60,499
Distribution of profit	9		
Contingent assets, liabilities and other financial obligations	12		
Related parties	13		
Accounting Policies	14		

Statement of Changes in Equity

	Share capital	Reserve for hedging transactions	Retained earnings	Total
	DKK '000	DKK '000	DKK '000	DKK '000
Equity at 1 January	1,000	0	14,408	15,408
Exchange adjustments	0	0	7	7
Fair value adjustment of hedging instruments, beginning of year	0	0	-35	-35
Fair value adjustment of hedging instruments, end of year	0	-1,008	0	-1,008
Tax on adjustment of hedging instruments for the year	0	222	8	230
Net profit/loss for the year	0	0	3,416	3,416
Equity at 31 December	1,000	-786	17,804	18,018

Notes to the Financial Statements

	2020 <u>DKK '000</u>	2019 <u>DKK '000</u>
1 Staff expenses		
Wages and salaries	9,631	7,859
Pensions	217	354
Other social security expenses	102	111
Other staff expenses	135	205
	<u>10,085</u>	<u>8,529</u>
Average number of employees	<u>14</u>	<u>14</u>
2 Financial income		
Interest received from group enterprises	6,010	1,848
Exchange adjustments	605	9
	<u>6,615</u>	<u>1,857</u>
3 Financial expenses		
Other financial expenses	2,086	1,516
	<u>2,086</u>	<u>1,516</u>
4 Tax on profit for the year		
Current tax for the year	930	0
Deferred tax for the year	-236	-108
Adjustment of tax concerning previous years	-1	0
	<u>693</u>	<u>-108</u>
which breaks down as follows:		
Tax on profit/loss for the year	923	-67
Tax on changes in equity	-230	-41
	<u>693</u>	<u>-108</u>

Notes to the Financial Statements

5 Property, plant and equipment

	Other fixtures and fittings, tools and equipment
	DKK '000
Cost at 1 January	1,736
Additions for the year	30
Disposals for the year	-46
Cost at 31 December	<u>1,720</u>
Impairment losses and depreciation at 1 January	1,554
Depreciation for the year	73
Impairment and depreciation of sold assets for the year	-46
Impairment losses and depreciation at 31 December	<u>1,581</u>
Carrying amount at 31 December	<u>139</u>

6 Investments in subsidiaries

	2020	2019
	DKK '000	DKK '000
Cost at 1 January	1,743	1,743
Exchange adjustment	7	0
Cost at 31 December	<u>1,750</u>	<u>1,743</u>
Value adjustments at 1 January	-677	-714
Net profit/loss for the year	151	37
Value adjustments at 31 December	<u>-526</u>	<u>-677</u>
Carrying amount at 31 December	<u>1,224</u>	<u>1,066</u>

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	409
Additions for the year	3
Cost at 31 December	<u>412</u>
Carrying amount at 31 December	<u>412</u>

8 Prepayments

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

	2020 DKK '000	2019 DKK '000
9 Distribution of profit		
Retained earnings	<u>3,416</u>	<u>-225</u>
	<u>3,416</u>	<u>-225</u>
Extraordinary dividend after year end	<u>16,800</u>	<u>0</u>

10 Provision for deferred tax

Provision for deferred tax at 1 January	314	422
Amounts recognised in the income statement for the year	<u>-236</u>	<u>-108</u>
Provision for deferred tax at 31 December	<u>78</u>	<u>314</u>

Notes to the Financial Statements

11 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	2020 DKK '000	2019 DKK '000
Other payables		
Between 1 and 5 years	675	254
Long-term part	675	254
Other short-term payables	3,422	920
	4,097	1,174

12 Contingent assets, liabilities and other financial obligations

Charges and security

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

12,365	6,215
--------	-------

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

Within 1 year	113	175
Between 1 and 5 years	57	170
	170	345

Guarantee obligations

Through its bankers, the Company has provided import letter of credit of	1,729	3,325
Through its bankers, the Company has provided a payment guarantee of	0	205

Notes to the Financial Statements

	2020	2019
	DKK '000	DKK '000
12 Contingent assets, liabilities and other financial obligations (continued)		

Other contingent liabilities

The Company has assumed other contractual obligations with a minimum payment of DKK 3,661k up to 2022.

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 2020 is calculated at DKK 1,327k.

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 of USD 4,007k. Fair value of forward exchange contracts is at the balance sheet date DKK -1,008k.

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 2020 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 2020 are presented in DKK '000.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of SkyBrands Holding A/S, the Company has not prepared consolidated financial statements.

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

Notes to the Financial Statements

14 Accounting Policies (continued)

interest element on the lease payments is charged over the lease term to the income statement.

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

Translation policies

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

Notes to the Financial Statements

14 Accounting Policies (continued)

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, gross profit/loss is calculated as a summary of revenue, other operating income, expenses for raw materials and consumables and other external expenses.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

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.

Notes to the Financial Statements

14 Accounting Policies (continued)

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.

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
--	-----	-------

The fixed assets' residual values are determined at nil.

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.

Notes to the Financial Statements

14 Accounting Policies (continued)

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 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

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