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# ***Copenhagen Merchants A/S***

Klubiensvej 22, DK-2150 Nordhavn

## **Annual Report for 1 January - 31 December 2020**

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CVR No 31 49 50 91

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
18/5 2021

Klaus Ewald Madsen  
Chairman of the General  
Meeting



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# Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Copenhagen Merchants 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.

Nordhavn, 18 May 2021

## Executive Board

Simon Christensen  
CEO

Lars Boel  
Executive Officer

Indrek Aigro  
Executive Officer

## Board of Directors

Klaus Ewald Madsen  
Chairman

Torben Herman Christensen

Bente Christensen

Simon Christensen

# Independent Auditor's Report

To the Shareholder of Copenhagen Merchants 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 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 Copenhagen Merchants 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 Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

## Management's responsibilities for the Financial Statements

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

# Independent Auditor's Report

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.

Hellerup, 18 May 2021

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 77 12 31*

Ulrik Ræbild  
statsautoriseret revisor  
mne33262

Claus Damhave  
statsautoriseret revisor  
mne34166

## Company Information

### **The Company**

Copenhagen Merchants A/S  
Klubiensvej 22  
DK-2150 Nordhavn

CVR No: 31 49 50 91

Financial period: 1 January - 31 December

Incorporated: 16 June 2008

Financial year: 13rd financial year

Municipality of reg. office: København

### **Board of Directors**

Klaus Ewald Madsen, Chairman  
Torben Herman Christensen  
Bente Christensen  
Simon Christensen

### **Executive Board**

Simon Christensen  
Lars Boel  
Indrek Aigro

### **Auditors**

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
Strandvejen 44  
DK-2900 Hellerup

## Financial Highlights

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

|  | 2020<br>TDKK | 2019<br>TDKK | 2018<br>TDKK | 2017<br>TDKK | 2016<br>TDKK |
|--|--------------|--------------|--------------|--------------|--------------|
| <b>Key figures</b>                               |              |              |              |              |              |
| <b>Profit/loss</b>                               |              |              |              |              |              |
| Gross profit/loss                                | 14.841       | 13.754       | 24.565       | 24.478       | 26.165       |
| Profit/loss before financial income and expenses | 3.915        | 3.463        | 7.314        | 2.177        | 4.182        |
| Net financials                                   | 1.099        | 1.332        | -2.617       | 357          | 3.386        |
| Net profit/loss for the year                     | 3.824        | 4.540        | 3.013        | 1.204        | 6.366        |
| <b>Balance sheet</b>                             |              |              |              |              |              |
| Balance sheet total                              | 47.139       | 44.447       | 43.604       | 41.707       | 35.602       |
| Equity   | 28.857       | 32.228       | 16.413       | 14.735       | 19.524       |
| Investment in property, plant and equipment      | 0            | 0            | 1.954        | 69           | 2.433        |
| Number of employees                              | 10           | 10           | 17           | 23           | 17           |
| <b>Ratios</b>                                    |              |              |              |              |              |
| Return on assets                                 | 8,3%         | 7,8%         | 16,8%        | 5,2%         | 11,7%        |
| Solvency ratio                                   | 61,2%        | 72,5%        | 37,6%        | 35,3%        | 54,8%        |
| Return on equity                                 | 12,5%        | 18,7%        | 19,3%        | 7,0%         | 65,2%        |

The Financial Highlights are prepared in accordance with the accounting policies.



# Management's Review

## **Key activities**

The company's activity consists of trading in grain and other bulk goods, etc. at foreign expense.

## **Development in the year**

The income statement of the Company for 2020 shows a profit of DKK 3,824,190, and at 31 December 2020 the balance sheet of the Company shows equity of DKK 28,856,971.

The impact from the covid-19 pandemic has been very limited and indirect.

## **Operating risks and financial risks**

### ***Operating risks***

It has been assessed, that there are no single significant risks to the operations of the company.

### ***Foreign exchange risks***

Activities abroad cause that net profit, cash flow and equity are influenced by exchange rate developments and interest rate trends for a number of currencies. The company does not hedge these risks.

## **Targets and expectations for the year ahead**

For 2021, the Company expects to continue the growth and expects a profit before tax of DKK 7-10 million.

## **External environment**

The Company's activities are not considered to have an extensive impact on the external environment.

## **Uncertainty relating to recognition and measurement**

Recognition and measurement in the Annual Report have not been subject to any uncertainty.

## **Unusual events**

The financial position at 31 December 2020 of the Company and the results of the activities of the Company for the financial year for 2020 have not been affected by any unusual events.

## **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

|   | Note | 2020<br>DKK       | 2019<br>DKK       |
|---|------|-------------------|-------------------|
| <b>Gross profit/loss</b>                                |      | <b>14.840.747</b> | <b>13.753.716</b> |
| Staff expenses  | 1    | -10.925.693       | -10.290.556       |
| <b>Profit/loss before financial income and expenses</b> |      | <b>3.915.054</b>  | <b>3.463.160</b>  |
| Income from investments in subsidiaries                 |      | 1.163.795         | 1.589.010         |
| Financial income  | 2    | 275.694           | 65.888            |
| Financial expenses                                      | 3    | -340.182          | -322.516          |
| <b>Profit/loss before tax</b>                           |      | <b>5.014.361</b>  | <b>4.795.542</b>  |
| Tax on profit/loss for the year                         | 4    | -1.190.171        | -255.133          |
| <b>Net profit/loss for the year</b>                     |      | <b>3.824.190</b>  | <b>4.540.409</b>  |

# Balance Sheet 31 December

## Assets

|  | Note | 2020<br>DKK       | 2019<br>DKK       |
|--|------|-------------------|-------------------|
| Goodwill   |      | 0                 | 0                 |
| <b>Intangible assets</b>                         |      | <b>0</b>          | <b>0</b>          |
| Other fixtures and fittings, tools and equipment |      | 3.088.299         | 3.088.299         |
| <b>Property, plant and equipment</b>             | 5    | <b>3.088.299</b>  | <b>3.088.299</b>  |
| Investments in subsidiaries                      | 6    | 14.219.518        | 12.733.612        |
| <b>Fixed asset investments</b>                   |      | <b>14.219.518</b> | <b>12.733.612</b> |
| <b>Fixed assets</b>                              |      | <b>17.307.817</b> | <b>15.821.911</b> |
| <b>Inventories</b>                               |      | <b>1.851.623</b>  | <b>0</b>          |
| Trade receivables                                |      | 2.495.961         | 4.776.441         |
| Receivables from group enterprises               |      | 9.718.396         | 11.233.042        |
| Receivables from associates                      |      | 2.910.637         | 33.886            |
| Other receivables                                |      | 3.370.628         | 160.173           |
| Prepayments                                      | 7    | 3.013.767         | 4.135.212         |
| <b>Receivables</b>                               |      | <b>21.509.389</b> | <b>20.338.754</b> |
| <b>Cash at bank and in hand</b>                  |      | <b>6.470.002</b>  | <b>8.286.495</b>  |
| <b>Currents assets</b>                           |      | <b>29.831.014</b> | <b>28.625.249</b> |
| <b>Assets</b>                                    |      | <b>47.138.831</b> | <b>44.447.160</b> |

# Balance Sheet 31 December

## Liabilities and equity

|  | Note | 2020<br>DKK       | 2019<br>DKK       |
|--|------|-------------------|-------------------|
| Share capital  |      | 2.000.000         | 2.000.000         |
| Reserve for exchange rate adjustments                          |      | -92.570           | 0                 |
| Retained earnings  |      | 17.949.541        | 23.228.244        |
| Proposed dividend for the year                                 |      | 9.000.000         | 7.000.000         |
| <b>Equity</b>  |      | <b>28.856.971</b> | <b>32.228.244</b> |
| Provision for deferred tax                                     | 9    | 341.917           | 315.263           |
| Provisions relating to investments in group enterprises        |      | 2.782.267         | 1.951.515         |
| Other provisions   | 10   | 3.028.784         | 0                 |
| <b>Provisions</b>  |      | <b>6.152.968</b>  | <b>2.266.778</b>  |
| Other payables   |      | 878.480           | 382.991           |
| <b>Long-term debt</b>  | 11   | <b>878.480</b>    | <b>382.991</b>    |
| Trade payables   |      | 5.696.744         | 3.659.449         |
| Payables to group enterprises                                  |      | 1.049.352         | 706.658           |
| Payables to associates   |      | 0                 | 906.138           |
| Corporation tax  |      | 593.592           | 439.670           |
| Other payables   | 11   | 3.910.724         | 3.857.232         |
| <b>Short-term debt</b>   |      | <b>11.250.412</b> | <b>9.569.147</b>  |
| <b>Debt</b>  |      | <b>12.128.892</b> | <b>9.952.138</b>  |
| <b>Liabilities and equity</b>                                  |      | <b>47.138.831</b> | <b>44.447.160</b> |
| Distribution of profit   | 8    |                   |                   |
| Contingent assets, liabilities and other financial obligations | 12   |                   |                   |
| Related parties  | 13   |                   |                   |
| Accounting Policies  | 14   |                   |                   |

## Statement of Changes in Equity

|                              | Share capital    | Reserve for<br>exchange rate<br>adjustments | Retained<br>earnings | Proposed<br>dividend for<br>the year | Total             |
|------------------------------|------------------|---|----------------------|--------------------------------------|-------------------|
|                              | DKK              | DKK   | DKK                  | DKK                                  | DKK               |
| Equity at 1 January          | 2.000.000        | 0   | 23.228.244           | 7.000.000                            | 32.228.244        |
| Ordinary dividend paid       | 0                | 0   | 0                    | -7.000.000                           | -7.000.000        |
| Other equity movements       | 0                | 0   | -102.893             | 0                                    | -102.893          |
| Net profit/loss for the year | 0                | -92.570                                     | -5.175.810           | 9.000.000                            | 3.731.620         |
| <b>Equity at 31 December</b> | <b>2.000.000</b> | <b>-92.570</b>                              | <b>17.949.541</b>    | <b>9.000.000</b>                     | <b>28.856.971</b> |

## Notes to the Financial Statements

|  | 2020<br><u>DKK</u>       | 2019<br><u>DKK</u>       |
|--|--------------------------|--------------------------|
| <b>1 Staff expenses</b>                  |                          |                          |
| Wages and salaries                       | 10.456.726               | 9.871.352                |
| Pensions                                 | 427.827                  | 343.444                  |
| Other social security expenses           | 41.140                   | 75.760                   |
|  | <u><b>10.925.693</b></u> | <u><b>10.290.556</b></u> |
| <br>                                     |                          |                          |
| <b>Average number of employees</b>       | <u><b>10</b></u>         | <u><b>10</b></u>         |
| <br>                                     |                          |                          |
| <b>2 Financial income</b>                |                          |                          |
| Interest received from group enterprises | 275.694                  | 32.207                   |
| Other financial income                   | 0                        | 33.681                   |
|  | <u><b>275.694</b></u>    | <u><b>65.888</b></u>     |
| <br>                                     |                          |                          |
| <b>3 Financial expenses</b>              |                          |                          |
| Other financial expenses                 | 276.754                  | 233.336                  |
| Exchange adjustments, expenses           | 63.428                   | 89.180                   |
|  | <u><b>340.182</b></u>    | <u><b>322.516</b></u>    |

## Notes to the Financial Statements

|   | 2020             | 2019           |
|---|------------------|----------------|
|   | DKK              | DKK            |
| <b>4 Tax on profit/loss for the year</b>    |                  |                |
| Current tax for the year                    | 593.604          | 754.630        |
| Deferred tax for the year                   | 26.654           | 100.503        |
| Adjustment of tax concerning previous years | 569.913          | -600.000       |
|   | <b>1.190.171</b> | <b>255.133</b> |

### 5 Property, plant and equipment

|   | Other fixtures<br>and fittings,<br>tools and<br>equipment |
|---|---|
|   | DKK   |
| Cost at 1 January                                 | 3.458.299   |
| Cost at 31 December                               | 3.458.299   |
| Impairment losses and depreciation at 1 January   | 370.000   |
| Impairment losses and depreciation at 31 December | 370.000   |
| <b>Carrying amount at 31 December</b>             | <b>3.088.299</b>  |
| Depreciated over                                  | 5 years   |

## Notes to the Financial Statements

|   | 2020<br>DKK              | 2019<br>DKK              |
|---|--------------------------|--------------------------|
| <b>6 Investments in subsidiaries</b>  |                          |                          |
| Cost at 1 January   | 15.299.257               | 1.728.712                |
| Additions for the year  | <u>0</u>                 | <u>13.570.545</u>        |
| Cost at 31 December   | <u>15.299.257</u>        | <u>15.299.257</u>        |
| Value adjustments at 1 January  | -4.680.338               | 680.384                  |
| Exchange adjustment   | -92.570                  | -20.100                  |
| Net profit/loss for the year  | 1.163.795                | 1.589.010                |
| Dividend to the Parent Company  | -150.000                 | -7.673.024               |
| Fair value adjustment of hedging instruments for the year                   | <u>-102.893</u>          | <u>743.392</u>           |
| Value adjustments at 31 December  | <u>-3.862.006</u>        | <u>-4.680.338</u>        |
| Equity investments with negative net asset value amortised over receivables | <u>0</u>                 | <u>163.178</u>           |
| Equity investments with negative net asset value transferred to provisions  | <u>2.782.267</u>         | <u>1.951.515</u>         |
| <b>Carrying amount at 31 December</b>                                       | <b><u>14.219.518</u></b> | <b><u>12.733.612</u></b> |

Investments in subsidiaries are specified as follows:

| Name                              | Place of registered office | Share capital | Votes and ownership |
|-----------------------------------|----------------------------|---------------|---------------------|
| Copenhagen Merchants Hamburg GmbH | Tyskland                   | EUR 200.000   | 100%                |
| CM Partner LLC                    | Rusland                    | RUB 10.000    | 100%                |
| CM Geneva S.A.                    | Schweiz                    | CHF 50.000    | 100%                |
| CM Partner A/S                    | Danmark                    | DKK 500.000   | 100%                |
| CM Tallinn AS                     | Estland                    | EUR 25.000    | 100%                |
| CM Kaunas UAB                     | Litauen                    | EUR 2.500     | 100%                |

## 7 Prepayments

Prepayments consist of prepaid expenses concerning insurance premiums, subscriptions, freight and time charter vessels.



## Notes to the Financial Statements

|   | 2020<br>DKK      | 2019<br>DKK      |
|---|------------------|------------------|
| <b>8 Distribution of profit</b>                     |                  |                  |
| Proposed dividend for the year                      | 9.000.000        | 7.000.000        |
| Reserve for net revaluation under the equity method | 0                | -1.403.676       |
| Retained earnings                                   | -5.175.810       | -1.055.915       |
|   | <b>3.824.190</b> | <b>4.540.409</b> |

### 9 Provision for deferred tax

|   |                |                |
|---|----------------|----------------|
| Provision for deferred tax at 1 January                 | 315.263        | 214.760        |
| Amounts recognised in the income statement for the year | 26.654         | 100.503        |
| <b>Provision for deferred tax at 31 December</b>        | <b>341.917</b> | <b>315.263</b> |

### 10 Other provisions

Other provisions consist of onerous freight contracts that are ongoing at the balance sheet date. All contracts will be completed in 2021

|                   |                  |          |
|-------------------|------------------|----------|
| Onerous contracts | 3.028.784        | 0        |
|                   | <b>3.028.784</b> | <b>0</b> |

### 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:

#### Other payables

|                           |                  |                  |
|---------------------------|------------------|------------------|
| Between 1 and 5 years     | 878.480          | 382.991          |
| Long-term part            | 878.480          | 382.991          |
| Other short-term payables | 3.910.724        | 3.857.232        |
|                           | <b>4.789.204</b> | <b>4.240.223</b> |

## Notes to the Financial Statements

|  | 2020<br>DKK       | 2019<br>DKK       |
|--|-------------------|-------------------|
| <b>12 Contingent assets, liabilities and other financial obligations</b> |                   |                   |
| <b>Rental and lease obligations</b>                                      |                   |                   |
| Lease obligations under operating leases. Total future lease payments:   |                   |                   |
| Within 1 year  | 37.167.730        | 44.388.140        |
| Between 1 and 5 years  | 1.244.364         | 8.590.802         |
| After 5 years  | 171.126           | 0                 |
|  | <b>38.583.220</b> | <b>52.978.942</b> |

The total rental and lease obligations primarily consist of Time Charter agreements concerning ships.

### Other contingent liabilities

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of Torben Herman Christensen Holding A/S, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

## 13 Related parties

### Consolidated Financial Statements

The company is included in the consolidated financial statements of the parent company

| Name                                  | Place of registered office    |
|---------------------------------------|-------------------------------|
| CM Holding A/S                        | Klubiensvej 22, 2150 Nordhavn |
| Torben Herman Christensen Holding A/S | Taarbæk Strandvej 42C         |

# Notes to the Financial Statements

## 14 Accounting Policies

The Annual Report of Copenhagen Merchants A/S for 2020 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 2020 are presented in DKK.

### Changes in accounting policies

The Company's accounting policy has been changed in 2020 to reflect the amendments made to the Danish Financial Act. The change has resulted in reclassification between equity reserves. The change has not affected the net result for the year or the equity at year end.

The accounting principles applied for the annual report are in all other matters consistent with those applied last year.

### Consolidated financial statements

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

### 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 CM Holding A/S.

### 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, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been 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.

# Notes to the Financial Statements

## 14 Accounting Policies (continued)

### Leases

All 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

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

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.

## 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.

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 premises, sales and distribution as well as office expenses, etc.

# Notes to the Financial Statements

## 14 Accounting Policies (continued)

### **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 intangible assets and 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 intangible assets and 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 are recognised in the income statement at the amounts relating to the financial year.

### **Tax on profit/loss 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 the Group's other Danish companies. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

# Notes to the Financial Statements

## 14 Accounting Policies (continued)

### Balance Sheet

#### Intangible assets

Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over its useful life, which is assessed at 10 years.

#### 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,<br>tools and equipment | 5 years         |
| Art   | Non-depreciable |

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.

### 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 raw materials and consumables equals landed cost.

### Receivables

Receivables are recognised in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

### Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

# Notes to the Financial Statements

## 14 Accounting Policies (continued)

### Equity

#### *Dividend*

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

#### Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

#### 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.



# Notes to the Financial Statements

## 14 Accounting Policies (continued)

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