BEIERHOLM
VI SKABER BALANCE

Helgstrand Dressage ApS

Uggerhalnevej 80, 9310 Vodskov

CVR no. 31 75 46 15

Annual report
for the financial year 01.07.18 - 30.06.19

Årsrapporten er godkendt på den
ordinære generalforsamling, d. 29.10.19

Niels Thomas Heering
Dirigent

Table of contents

Company information etc.

The company

Helgstrand Dressage ApS
Uggerhalnevej 80
9310 Vodskov
Registered office: Danmark
CVR no.: 31 75 46 15
Financial year: 01.07 - 30.06

Executive Board

Marianne Fog Jørgensen
Lars Andreas Helgstrand

Auditors

Beierholm
Statsautoriseret Revisionspartnerselskab

Statement of the Board of Directors on the annual report

We have on this day presented the annual report for the financial year 01.07.18 - 30.06.19 for Helgstrand Dressage ApS.

The annual report is presented in accordance with Danish Financial Statements Act (Årsregnskabsloven).

In our opinion, the financial statements give a true and fair view of company's assets, liabilities and financial position as at 30.06.19 and of the results of company's activities for the financial year 01.07.18 - 30.06.19.

We believe that the management's review includes a fair review of the matters dealt with in the management's review.

The annual report is submitted for adoption by the general meeting.

Vodskov, October 29, 2019

Executive Board

Marianne Fog Jørgensen	Lars Andreas Helgstrand

To the capital owner of Helgstrand Dressage ApS

Opinion

We have audited the financial statements of Helgstrand Dressage ApS for the financial year 01.07.18 - 30.06.19, which comprise the income statement, balance sheet, statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial statements are prepared in accordance with Danish Financial Statements Act (Årsregnskabsloven).

In our opinion the financial statements give a true and fair view of the company's assets, liabilities and financial position at 30.06.19 and of the results of the company's operations for the financial year 01.07.18 - 30.06.19 in accordance with the Danish Financial Statements Act (Årsregnskabsloven).

Basis for conclusion

We conducted our audit in accordance with International Standards on Auditing 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 regarding the 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, we conclude that management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Acts. We did not identify any material misstatement of management's review.

Management's responsibility for the financial statements

The Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act. Furthermore the Management is responsible for the internal control as the 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 International Standards on Auditing 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 International Standards on Auditing and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a 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.

Soeborg, Copenhagen, October 29, 2019

Beierholm
Statsautoriseret Revisionspartnerselskab
CVR no. 32 89 54 68

Henrik Agner Hansen
State Authorized Public Accountant
MNE-no. mne28682

FINANCIAL HIGHLIGHTS

Key figures

Figures in DKK '000	2018/19	2017/18	2016/17	2015/16	2014/15
Profit/loss					
Revenue	416,808	382,504	-	-	-
Gross profit	124,767	153,574	94,116	55,624	53,944
Index	231	285	174	103	100
Operating profit/loss	98,171	135,717	80,603	44,656	45,617
Index	215	298	177	98	100
Total net financials	2,155	5,521	7,248	2,340	2,812
Index	77	196	258	83	100
Profit/loss for the year	75,397	110,272	68,524	36,442	37,147
Index	203	297	184	98	100
Balance					
Total assets	315,568	282,105	302,855	224,244	165,495
Index	191	170	183	135	100
Investments in property, plant and equipment	1,983	1,405	4,723	1,967	1,164
Index	170	121	406	169	100
Equity	143,673	231,476	249,113	180,588	144,146
Index	100	161	173	125	100

Ratios

	2018/19	2017/18	2016/17	2015/16	2014/15
Profitability					
Return on equity	40,2%	45,9%	31,9%	22,4%	29,6%
Gross margin	29,9%	40,1%	0,0%	0,0%	0,0%
Return on invested capital	31,1%	48,1%	26,6%	19,9%	27,6%
Profit margin	23,6%	35,5%	0,0%	0,0%	0,0%
Equity ratio					
Equity interest	45,5%	82,0%	82,0%	81,0%	87,0%
Others					
Number of employees (average)	70	56	48	38	29

In 2018/19 the company changed its reporting class to large C, therefore the revenue is not shown for previous years.

Return on equity:	$\frac{\text{Profit/loss for the year x 100}}{\text{Average equity}}$
Gross margin:	$\frac{\text{Gross result x 100}}{\text{Revenue}}$
Return on invested capital:	$\frac{\text{EBITA x 100}}{\text{Avg. invested capital excl. goodwill}}$
EBITA:	Operating profit plus amortisation and im-pairment losses on intangible assets.
Invested capital excl. goodwill:	Sum of intangible operating assets and property, plant and equipment (excl. goodwill) as well as net working capital.
Profit margin:	$\frac{\text{Operating profit/loss x 100}}{\text{Revenue}}$
Equity interest:	$\frac{\text{Equity, end of year x 100}}{\text{Total assets}}$

Primary activities

The Company's main activities are purchasing and selling dressage horses, stud farming, sale of stallion semen, lecturing, and other equestrian sports related activities. The business model is based on developing horses through training and selling them globally as dressage horses for competitions.

Uncertainty concerning recognition and measurement

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

Exceptional conditions

The financial position at 30 June 2019 of the Company, the results of the activities, and cash flow of the Company for the financial year of 2018/19 have been affected by costs regarding the sale of the Company to StandbyCo II ApS in august 2018. Beside that any unusual events have not occurred.

Development in activities and financial affairs

The income statement for the period 01.07.18 - 30.06.19 shows a profit/loss of DKK'000 75,397 against DKK'000 110,272 for the period 01.07.17 - 30.06.18. The balance sheet shows equity of DKK'000 143,673.

The earnings expectations for the financial year 01.07.18 - 30.06.19 was a profit before tax in the range of DKK 60 - 90m, hence the realized result is deemed satisfying.

Outlook

For the coming fiscal year 01.07.19-30.06.20 the Company expects a profit before taxes in the range of DKK DKK 60 - 90m. The Company will continue to invest in expanding the stallion station and acquiring younger horses, which in combination are expected to drive growth and strengthen the foundation for further expansions in geographies over the coming years.

Knowledge resources

The Company's knowledge resources, to some extent, reside with employees handling the horses - riders etc. the Company continues to focus on the development of the employees and processes.

Special risks

Price risks

Given the uniqueness of horses no apparent price risks have been identified.

Currency risks

Revenue is primarily generated in EUR and to a smaller extend in USD, through the US operations. Costs are mainly in EUR and DKK with the exception of the US operations, which are in USD. Horses are almost solely purchased in EUR. In summary the currency risk is assessed as minimal given the close link between revenue and costs in same currency. The company does not enter into speculative currency contracts.

Interest rate risks

The company's operational financing is based on a floating interest rate, but given the size of the financing, interest rate risk is deemed to be low.

Credit risks

Payments are received before the horses leaves the Company's stables, which ensures a low credit risk.

Research and development activities

The Company has no research and development activities.

Subsequent events

No important events have occurred after the end of the financial year.

Corporate social responsibility

The Company follows the Danish law. The Company's corporate social responsibility includes act responsibly, decency, good ethics, and morals, as well as respect for our Company, customers, employees, business partners, and other stakeholders.

External environment
The Company is working under the regulations of agricultural business, which regulate most of the external environment. Further, the Company works continuously on reducing its environmental footprint, i.e. the residual waste from the horses is collected and used as biofuel.

Social and employee relationships
As the company is based in Denmark and therefore is subject to Danish Law, the

management does not assess the need for specific policies and guidelines on this area.

Respects for human rights
As the company is based in Denmark and therefore subject to Danish Law, the management does not assess the need for specific policies and guidelines on this area.

Anti-corruption and bribery
In the financial year 2018/19 there have been no incidents.

Future work on Corporate social responsibility
The Company will in the coming years launch an internal review of CSR policies.

Gender diversity

There are no board of directors in the company. The company is part of the StandbyCo Group. Reference is made to the group statement for the underrepresented gender in the annual report for the financial year 01.07.18 - 30.06.19 for the parent company StandbyCo I ApS.

Income statement

Note		2018/19 DKK '000	2017/18 DKK '000
	Revenue	**416,808**	**382,504**
	Other operating income	0	98
	Costs of raw materials and consumables	-251,136	-215,981
	Other external expenses	-40,905	-13,047
	Gross profit	**124,767**	**153,574**
2	Staff costs	-25,125	-16,478
	Profit/loss before depreciation, amortisation, write-downs and impairment losses	**99,642**	**137,096**
3	Depreciation, amortisation, impairment losses and write-downs of property, plant and equipment	-1,471	-1,379
	Operating profit/loss	**98,171**	**135,717**
	Other operating expenses	-12	0
	Profit/loss before net financials	**98,159**	**135,717**
4	Income from equity investments in group enterprises	6,461	-268
	Income from equity investments in associates	0	29
5	Financial income	3,548	7,465
6	Financial expenses	-7,854	-1,705
	Profit/loss before tax	**100,314**	**141,238**
7	Tax on profit or loss for the year	-24,917	-30,966
	Profit/loss for the year	**75,397**	**110,272**

8 Distribution of net profit

Balance sheet

ASSETS

Note		30.06.19 DKK '000	30.06.18 DKK '000
	Other fixtures and fittings, tools and equipment	5,118	4,607
9	**Total property, plant and equipment**	**5,118**	**4,607**
10	Equity investments in group enterprises	6,676	215
10	Equity investments in associates	413	414
11	Deposits	366	402
	Total investments	**7,455**	**1,031**
	Total non-current assets	**12,573**	**5,638**
	Manufactured goods and goods for resale	178,960	120,341
	Total inventories	**178,960**	**120,341**
	Trade receivables	37,141	15,878
	Receivables from group enterprises	73,924	46,532
	Receivables from associates	1,950	4,371
12	Deferred tax asset	53	0
	Other receivables	1,880	299
	Total receivables	**114,948**	**67,080**
	Cash	**9,087**	**89,047**
	Total current assets	**302,995**	**276,468**
	Total assets	**315,568**	**282,106**

Balance sheet

EQUITY AND LIABILITIES

Note		30.06.19 DKK '000	30.06.18 DKK '000
	Share capital	500	500
	Reserve for net revaluation according to the equity method	6,490	0
	Retained earnings	136,683	230,976
	Total equity	**143,673**	**231,476**
12	Provisions for deferred tax	0	367
	Total provisions	**0**	**367**
	Payables to other credit institutions	101,768	1,403
	Prepayments received from customers	0	335
	Trade payables	38,173	13,212
	Payables to group enterprises	1,133	0
	Deposits	50	11
	Income taxes	25,337	30,456
	Other payables	5,434	4,846
	Total short-term payables	**171,895**	**50,263**
	Total payables	**171,895**	**50,263**
	Total equity and liabilities	**315,568**	**282,106**

13 Contingent liabilities
14 Charges and security
15 Related parties

Statement of changes in equity

Figures in DKK '000	Share capital	Reserve for net revaluation according to the equity method	Retained earnings	Proposed dividend for the financial year	Total equity
Statement of changes in equity for 01.07.17 - 30.06.18					
Balance as at 01.07.17	500	0	198,613	50,000	249,113
Extraordinary dividend paid	0	0	-77,909	0	-77,909
Dividend paid	0	0	0	-50,000	-50,000
Net profit/loss for the year	0	0	110,272	0	110,272
Balance as at 30.06.18	500	0	230,976	0	231,476
Statement of changes in equity for 01.07.18 - 30.06.19					
Balance as at 01.07.18	500	0	230,976	0	231,476
Extraordinary dividend paid	0	0	-163,200	0	-163,200
Net profit/loss for the year	0	6,490	68,907	0	75,397
Balance as at 30.06.19	500	6,490	136,683	0	143,673

1. Special items

Special items are income and expenses that are special due to their size and nature. The following special items were recorded in the financial year:

Special items:	Recognised in the income statement in:	2018/19 DKK '000	2017/18 DKK '000
Costs concerning sales of the company	Other operating expenses	18,019	0

	2018/19 DKK '000	2017/18 DKK '000

2. Staff costs

Wages and salaries	24,262	14,641
Pensions	0	1,116
Other social security costs	587	468
Other staff costs	276	253
Total	25,125	16,478
Average number of employees during the year	70	56

With reference to section 98B (1) of the Danish Financial Statements Act. 3, the remuneration to the Executive Board is not disclosed.

3. Depreciation, amortisation, impairment losses and write-downs of property, plant and equipment

Depreciation of property, plant and equipment	1,471	1,379
Total	1,471	1,379

	2018/19 DKK '000	2017/18 DKK '000

4. Income from equity investments in group enterprises

Income from equity investments in group enterprises	6,461	-268
Total	6,461	-268

5. Financial income

Interest, group enterprises	2,309	3,010
Other financial income	1,239	4,455
Total	3,548	7,465

6. Financial expenses

Interest, group enterprises	114	520
Other financial expenses	7,740	1,185
Total	7,854	1,705

7. Tax on profit or loss for the year

Tax on profit or loss for the year	25,337	31,035
Adjustment of deferred tax for the year	-420	-69
Total	24,917	30,966

	2018/19 DKK '000	2017/18 DKK '000

8. Distribution of net profit

	2018/19 DKK '000	2017/18 DKK '000
Reserve for net revaluation according to the equity method	6,490	0
Extraordinary dividend for the financial year	163,200	77,909
Retained earnings	-94,293	32,363
Total	75,397	110,272

9. Property, plant and equipment

Figures in DKK '000	Other fixtures and fittings, tools and equipment
Cost as at 01.07.18	8,135
Additions during the year	1,983
Cost as at 30.06.19	10,118
Depreciation and impairment losses as at 01.07.18	-3,529
Depreciation during the year	-1,471
Depreciation and impairment losses as at 30.06.19	-5,000
Carrying amount as at 30.06.19	5,118

10. Equity investments

Figures in DKK '000	Equity investments in group enterprises	Equity investments in associates
Cost as at 01.07.18	186	681
Cost as at 30.06.19	186	681
Revaluations as at 01.07.18	29	0
Net profit/loss from equity investments	6,461	0
Revaluations as at 30.06.19	6,490	0
Depreciation and impairment losses as at 01.07.18	0	-268
Depreciation and impairment losses as at 30.06.19	0	-268
Carrying amount as at 30.06.19	6,676	413

Name and Registered office:	Ownership interest
Group enterprises:	
Helstrand Germany GmbH, Tyskland	100%
Helstrand Dressage USA, LLC, US	100%
Associates	
Helgstrand & Trabjerg ApS, Danmark	50%
EPIC Horse A/S, Danmark	33%
JAC Flying A/S, Danmark	33%

11. Other non-current financial assets

Figures in DKK '000	Deposits
Cost as at 01.07.18	402
Disposals during the year	-36
Cost as at 30.06.19	366

12. Deferred tax

Deferred tax as at 01.07.18	367	435
Deferred tax recognised in the income statement	-420	-68
Deferred tax as at 30.06.19	-53	367

Deferred tax comprises:

Other fixtures and fittings, tools and equiment	310	367
Liabilities	-363	0
Total	-53	367

13. Contingent liabilities

Lease commitments

The company has concluded lease agreements with terms to maturity of 5-22 months and average lease payments of DKK 783k, a total of DKK 5,023k.

Recourse guarantee commitments

The company has provided a guarantee whereby the guarantor assumes primary liability for group enterprises' debt to credit institutions. The guarantee is unlimited. The group enterprises' debt to the credit institutions concerned amounts to DKK 9,500k at the balance sheet date.

13. Contingent liabilities - continued -

Other contingent liabilities

The company is taxed jointly with the other Danish companies in the group and has joint, several and unlimited liability for income taxes for the jointly taxed companies. The liability also includes any subsequent corrections to the calculated tax liability as a consequence of changes made to the jointly taxable income etc.

14. Charges and security

The enterprise has provided a company charge of DKK 75,000k as security for debt to credit institutions. As at 30.06.19, the company charge comprises the following assets with the following carrying amounts:

- Goodwill and intellectual property rights, DKK 0k
- Other plant, fixtures and fittings, tools and equipment, DKK 5,118k
- Inventories, DKK 178,960k
- Trade receivables, DKK 37,141k

15. Related parties

Balances	30.06.19 DKK'000
Receivables from group enterprises	73,924
Payables to group enterprises	-1,133
Receivables from associates	1,950

Receivables from group companies recognised under current assets and short-term payables to group enterprises consist of balances which are settled on an ongoing basis and in accordance with the company's standard terms of agreement and payment.

Receivables from group enterprises recognised under non-current assets carry interest at a rate of 4% p.a. No date for settlement of the balances has been agreed as they are considered part of the overall investment in the enterprises in question.

The company is included in the consolidated financial statements of the parent StandbyCo I ApS, Danmark.

16. Accounting policies

GENERAL

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act (*Årsregnskabsloven*) for large enterprises in reporting class C.

The accounting policies have been applied consistently with previous years.

In accordance with section 112 of the Danish Financial Statements Act, company's has not prepared consolidated financial statements. The company is a subsidiary of StandbyCo I ApS, Danmark, CVR no. 39 69 07 48, which prepares consolidated financial statements.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including depreciation, amortisation, impairment losses and write-downs, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to company's, and the value of such assets can be measured reliably. Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from company's, and the value of such liabilities can be measured reliably. On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

On recognition and measurement, account is taken of foreseeable losses and risks arising before the date at which the annual report is presented and proving or disproving matters arising on or before the balance sheet date.

CURRENCY

The annual report is presented in Danish kroner (DKK).

On initial recognition, transactions denominated in foreign currencies are translated using the exchange rates applicable at the transaction date. Exchange rate differences between the exchange rate applicable at the transaction date and the exchange rate at the date of payment are recognised in the income statement as a financial item. Receivables, payables and other monetary items denominated in foreign currencies are translated using the exchange rates applicable at the balance sheet date. The difference between the exchange rate applicable at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest annual report is recognised under financial income or expenses in the income statement. Fixed assets, inventories and other non-monetary assets acquired in foreign currencies are translated using historical exchange rates.

16. Accounting policies - continued -

On recognition of foreign subsidiaries and associates which are independent entities, the income statements are translated at the exchange rates applicable at the transaction date or approximate average exchange rates. The balance sheet items are translated using the exchange rates applicable at the balance sheet date. Foreign currency translation adjustments arising from the translation of equity at the beginning of the year using the exchange rates applicable at the balance sheet date and from the translation of income statements from average exchange rates to the exchange rates applicable at the balance sheet date are recognised directly in equity.

Translation adjustments of intercompany balances with independent foreign subsidiaries and associates, measured using the equity method and where the balance is considered to be part of the overall investment, are recognised directly in equity. On the divestment of foreign entities, accumulated exchange differences are recognised in the income statement.

LEASES

Lease payments relating to operating leases are recognised in the income statement on a straight-line basis over the lease term.

INCOME STATEMENT

Revenue

Income from the sale of goods is recognised in the income statement if delivery has taken place and the risk has passed to the buyer before the end of the financial year and where the selling price can be determined reliably and is expected to be paid. Revenue is measured at fair value and is determined exclusive of VAT and other taxes collected on behalf of third parties and less discounts.

Other operating income

Other operating income comprises income of a secondary nature in relation to the enterprise’s activities, including rental income, negative goodwill and gains on the sale of intangible assets and property, plant and equipment.

Costs of raw materials and consumables

Costs of raw materials and consumables comprise raw materials and consumables used for the year as well as any changes in inventories, including any inventory wastage.

16. Accounting policies - continued -

Write-downs of inventories of raw materials and consumables are also recognised under raw materials and consumables to the extent that these do not exceed normal write-downs.

Other external expenses

Other external expenses comprise costs relating to distribution, sales and advertising and administration, premises and bad debts to the extent that these do not exceed normal write-downs.

Staff costs

Staff costs comprise wages and salaries as well as other staff-related costs.

Depreciation and impairment losses

The depreciation of property, plant and equipment aim at systematic depreciation over the expected useful lives of the assets. Assets are depreciated according to the straight-line method based on the following expected useful lives and residual values:

	Useful life, year	Residual value, per cent
Other plant, fixtures and fittings, tools and equipment	3-8	0

The basis of depreciation is the cost of the asset less the expected residual value at the end of the useful life. Moreover, the basis of depreciation is reduced by any impairment losses. The useful life and residual value are determined when the asset is ready for use and reassessed annually.

Property, plant and equipment are impaired in accordance with the accounting policies referred to in the 'Impairment losses on fixed assets' section.

16. Accounting policies - continued -

Other operating expenses

Other operating expenses comprise costs of a secondary nature in relation to the enterprise's activities, including costs relating to rental activities and losses on the sale of intangible assets and property, plant and equipment.

Income from equity investments in group entreprises and associates

For equity investments in subsidiaries and associates, measured using the equity method, the share of the enterprises' profit or loss is recognised in the income statement after elimination of unrealised intercompany profits and losses and less any goodwill amortisation and impairment losses. For associates, only the proportionate share of intercompany gains and losses is eliminated.

Income from equity investments in subsidiaries and associates also comprises gains and losses on the sale of equity investments.

Other net financials

Interest income and interest expenses, foreign exchange gains and losses on transactions denominated in foreign currencies etc. are recognised in other net financials.

Tax on profit/loss for the year

The current and deferred tax for the year is recognised in the income statement as tax on the profit/loss for the year with the portion attributable to the profit/loss for the year, and directly in equity with the portion attributable to amounts recognised directly in equity.

The company is jointly taxed with Danish consolidated enterprises.

In connection with the settlement of joint taxation contributions, the current Danish income tax is allocated between the jointly taxed enterprises in proportion to their taxable incomes. This means that enterprises with a tax loss receive joint taxation contributions from enterprises which have been able to use this loss to reduce their own taxable profit.

BALANCE SHEET

Property, plant and equipment

Property, plant and equipment comprise other fixtures and fittings, tools and equipment.

16. Accounting policies - continued -

Property, plant and equipment are measured in the balance sheet at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and expenses resulting directly from the purchase until the asset is ready for use. Interest on loans arranged to finance production is not included in the cost.

Property, plant and equipment are depreciated using the straight-line method based on useful lives and residual values, which are stated in the 'Depreciation and impairment losses' section.

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal less any costs of disposal.

Equity investments in group entreprises and associates

Equity investments in subsidiaries and associates are recognised and measured according to the equity method, meaning that these equity investments are measured at the proportionate share of the enterprises' equity value, determined according to the accounting policies of the parent, adjusted for the remaining value of positive or negative goodwill and gains and losses on transactions with the enterprises in question.

Equity investments in subsidiaries and associates with a negative carrying amount are measured at DKK 0. Receivables that are considered part of the combined investment in the enterprises in question are impaired by any remaining negative equity value. Other receivables from such enterprises are impaired to the extent that such receivables are considered uncollectible. Provisions to cover the remaining negative equity value are recognised only to the extent that company's has a legal or constructive obligation to cover the liabilities of the enterprise in question.

Gains or losses on the divestment of subsidiaries and associates are determined as the difference between the divestment consideration and the carrying amount of net assets at the time of sale, including non-amortised goodwill, as well as the expected costs of divestment or discontinuation. Gains and losses are recognised in the income statement under income from equity investments.

Impairment losses on fixed assets

The carrying amount of fixed assets which are not measured at fair value is assessed annually for indications of impairment over and above what is reflected in depreciation.

16. Accounting policies - continued -

If company's realised return on an asset or a group of assets is lower than expected, this is considered an indication of impairment.

If there are indications of impairment, an impairment test is conducted of individual assets or groups of assets.

The assets or groups of assets are impaired to the lower of recoverable amount and carrying amount.

The higher of net selling price and value in use is used as the recoverable amount. The value in use is determined as the present value of expected net cash flows from the use of the asset or group of assets as well as expected net cash flows from the sale of the asset or group of assets after the expiry of their useful lives.

Impairment losses are reversed when the reasons for the impairment no longer exist.

Inventories

Inventories are measured at cost calculated according to the FIFO principle. Inventories are written down to the lower of cost and net realisable value.

The cost of raw materials and consumables as well as goods for resale is determined as purchase prices plus expenses resulting directly from the purchase.

The net realisable value of inventories is determined as the selling price less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and the expected development in the selling price.

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value, less write-downs for bad debts.

Write-downs for bad debts are determined based on an individual assessment of each receivable if there is no objective evidence of individual impairment of a receivable.

Deposits recognised under assets comprise deposits paid to the lessor under leases entered into by company's.

16. Accounting policies - continued -

Cash

Cash includes deposits in bank accounts as well as operating cash.

Equity

The net revaluation of equity investments in subsidiaries and associates is recognised in the net revaluation reserve in equity according to the equity method to the extent that the carrying amount exceeds the cost.

Current and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the basis of the taxable income for the year, adjusted for tax paid on account.

Joint taxation contributions payable and receivable are recognised as income tax under receivables or payables in the balance sheet.

Deferred tax liabilities and tax assets are recognised on the basis of all temporary differences between the carrying amounts and tax bases of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is non-amortisable for tax purposes and other items where temporary differences, except for acquisitions, have arisen at the date of acquisition without affecting the net profit or loss for the year or the taxable income. In cases where the tax value can be determined according to different taxation rules, deferred tax is measured on the basis of management's intended use of the asset or settlement of the liability.

Deferred tax assets are recognised, following an assessment, at the expected realisable value through offsetting against deferred tax liabilities or elimination in tax on future earnings.

Deferred tax is measured on the basis of the tax rules and at the tax rates which, according to the legislation in force at the balance sheet date, will be applicable when the deferred tax is expected to crystallise as current tax.

Payables

Deposits recognised under liabilities comprise deposits received from lessees under company's leases.

Short-term payables are measured at amortised cost, normally corresponding to the nominal value of such payables.

16. Accounting policies - continued -

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to the time and date of delivery of the agreed product or completion of the agreed service.

CASH FLOW STATEMENT

Referring to section 86(4) of the Danish Financial Statements Act a cash flow statement has not been prepared as the enterprise is included in the consolidated cash flow statement.