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# Helgstrand Dressage ApS

Uggerhalnevej 80, 9310 Vodskov
CVR no. 31 75 46 15

## Annual report
## for the financial year 01.07.19 - 30.06.20

Årsrapporten er godkendt på den
ordinære generalforsamling, d. 25.11.20

Morten Bradsted Nielsen
Dirigent

STATSAUTORISERET
REVISIONSPARTNERSELSKAB

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CVR-nr. 32 89 54 68

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# Company information etc.

## Company's

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

## Executive Board

Morten Bradsted Nielsen
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 01.07.19 - 30.06.20 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 30.06.20 and of the results of company's activities for the financial year 01.07.19 - 30.06.20.

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, November 25, 2020

**Executive Board**

Morten Bradsted Nielsen

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 01.07.19 - 30.06.20, 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 30.06.20 and of the results of the company's operations for the financial year 01.07.19 - 30.06.20 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, November 25, 2020

**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 | 2019/20 | 2018/19 | 2017/18 | 2016/17 | 2015/16 |
|---|---|---|---|---|---|
| *Profit/loss* | | | | | |
| Revenue | 271,275 | 416,808 | 382,504 | - | - |
| Gross profit | 64,026 | 147,862 | 153,574 | 94,116 | 55,624 |
| Index | 115 | 266 | 276 | 169 | 100 |
| Operating profit | 27,176 | 121,254 | 135,717 | 80,603 | 44,656 |
| Index | 61 | 272 | 304 | 180 | 100 |
| Total net financials | -8,247 | 2,155 | 5,521 | 7,248 | 2,340 |
| Index | -352 | 92 | 236 | 310 | 100 |
| Profit for the year | 13,068 | 93,411 | 110,272 | 68,524 | 36,442 |
| Index | 36 | 256 | 303 | 188 | 100 |
| *Balance* | | | | | |
| Total assets | 334,483 | 338,611 | 282,105 | 302,855 | 224,244 |
| Index | 149 | 151 | 126 | 135 | 100 |
| Investments in property, plant and equipment | 1,587 | 1,983 | 1,405 | 4,723 | 1,967 |
| Index | 81 | 101 | 71 | 240 | 100 |
| Equity | 174,756 | 161,688 | 231,476 | 249,113 | 180,588 |
| Index | 97 | 90 | 128 | 138 | 100 |

**Ratios**

| | 2019/20 | 2018/19 | 2017/18 | 2016/17 | 2015/16 |
|---|---|---|---|---|---|
| *Profitability* | | | | | |
| Return on equity | 7,8% | 47,5% | 45,9% | 31,9% | 22,4% |
| Gross margin | 23,6% | 35,5% | 40,1% | 0,0% | 0,0% |
| Return on invested capital | 12,7% | 57,8% | 26,6% | 19,9% | 27,6% |
| Profit margin | 10,0% | 29,1% | 35,5% | 0,0% | 0,0% |
| *Equity ratio* | | | | | |
| Equity interest | 52,2% | 45,5% | 82,0% | 82,0% | 81,0% |
| *Others* | | | | | |
| Number of employees (average) | 77 | 70 | 56 | 48 | 38 |

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

In 2019/20 the company changes its acconting policies for measurement of inventory. Financial hightlights for 2019/20 and 2018/19 have been updated accordingly to reflect the new accounting policy, while the financial highlights for 2017/18, 2016/17 and 2015/16 have not been updated.

| | |
|---|---|
| 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 horses, stud farming, sale of stallion semen, lecturing, and other equestrian sports related activites. The business model is based on developing horses through training and selling them globally as dressage horses for competitions.

## Development in activities and financial affairs

The income statement for the period 01.07.19 - 30.06.20 shows a profit/loss of DKK'000 13,068 against DKK'000 81,700 for the period 01.07.18 - 30.06.19. The balance sheet shows equity of DKK'000 174,756.

## Outlook

For the coming fiscal year 01.07.20-30.06.21 the company expects a profit before taxes in the range of DKK DKK 50 - 80m.

## 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 01.07.19 - 30.06.20 for the parent company StandbyCo I ApS.

# Income statement

| Note | | 2019/20 DKK '000 | 2018/19 DKK '000 |
|---|---|---|---|
| | **Revenue** | **271,275** | **416,808** |
| | Other operating income | 3,865 | 0 |
| | Costs of raw materials and consumables | -187,989 | -243,056 |
| | Other external expenses | -23,125 | -40,905 |
| | **Gross profit** | **64,026** | **132,847** |
| 2 | Staff costs | -27,321 | -25,125 |
| | **Profit before depreciation, amortisation, write-downs and impairment losses** | **36,705** | **107,722** |
| 3 | Depreciation, amortisation and impairments losses of intangible assets and property, plant and equipment | -1,697 | -1,471 |
| | Write-downs of current assets exceeding normal write-downs | -7,832 | 0 |
| | Other operating expenses | 0 | -12 |
| | **Profit before net financials** | **27,176** | **106,239** |
| 4 | Income from equity investments in group enterprises | -6,381 | 6,461 |
| 5 | Financial income | 2,233 | 3,548 |
| 6 | Financial expenses | -4,099 | -7,854 |
| | **Profit before tax** | **18,929** | **108,394** |
| 7 | Tax on profit or loss for the year | -5,861 | -26,694 |
| | **Profit for the year** | **13,068** | **81,700** |

8 Distribution of net profit

# Balance sheet

## ASSETS

| Note | | 30.06.20 DKK '000 | 30.06.19 DKK '000 |
|---|---|---|---|
| | Acquired rights | 218 | 0 |
| 9 | **Total intangible assets** | **218** | **0** |
| | Other fixtures and fittings, tools and equipment | 5,016 | 5,118 |
| 10 | **Total property, plant and equipment** | **5,016** | **5,118** |
| 11 | Equity investments in group enterprises | 1,293 | 6,676 |
| 11 | Equity investments in associates | 116 | 414 |
| 12 | Deposits | 366 | 366 |
| | **Total investments** | **1,775** | **7,456** |
| | **Total non-current assets** | **7,009** | **12,574** |
| | Manufactured goods and goods for resale | 219,553 | 202,055 |
| | **Total inventories** | **219,553** | **202,055** |
| | Trade receivables | 12,269 | 37,141 |
| | Receivables from group enterprises | 88,594 | 73,924 |
| | Receivables from associates | 0 | 1,950 |
| | Other receivables | 3,787 | 1,880 |
| 13 | Prepayments | 16 | 0 |
| | **Total receivables** | **104,666** | **114,895** |
| | **Cash** | **3,255** | **9,087** |
| | **Total current assets** | **327,474** | **326,037** |
| | **Total assets** | **334,483** | **338,611** |

# Balance sheet

## EQUITY AND LIABILITIES

| Note | | 30.06.20<br>DKK '000 | 30.06.19<br>DKK '000 |
|---|---|---|---|
| | Share capital | 500 | 500 |
| | Reserve for net revaluation according to the equity method | 217 | 6,491 |
| | Retained earnings | 174,039 | 154,697 |
| | **Total equity** | **174,756** | **161,688** |
| 14 | Provisions for deferred tax | 9,618 | 5,028 |
| | **Total provisions** | **9,618** | **5,028** |
| | Payables to other credit institutions | 124,787 | 101,768 |
| | Prepayments received from customers | 709 | 0 |
| | Trade payables | 11,756 | 38,173 |
| | Payables to group enterprises | 7,073 | 1,133 |
| | Deposits | 39 | 50 |
| | Income taxes | 1,271 | 25,337 |
| | Other payables | 4,474 | 5,434 |
| | **Total short-term payables** | **150,109** | **171,895** |
| | **Total payables** | **150,109** | **171,895** |
| | **Total equity and liabilities** | **334,483** | **338,611** |

16 Contingent liabilities
17 Charges and security
18 Related parties

# Statement of changes in equity

| Figures in DKK '000 | Share capital | Reserve for net revaluation according to the equity method | Retained earnings | Total equity |
|---|---|---|---|---|
| Statement of changes in equity for 01.07.18 - 30.06.19 | | | | |
| Balance as at 01.07.18 | 500 | 0 | 242,688 | 243,188 |
| Extraordinary dividend paid | 0 | 0 | -163,200 | -163,200 |
| Net profit/loss for the year | 0 | 6,491 | 75,209 | 81,700 |
| Balance as at 30.06.19 | 500 | 6,491 | 154,697 | 161,688 |
| Statement of changes in equity for 01.07.19 - 30.06.20 | | | | |
| Balance as at 01.07.19 | 500 | 6,491 | 148,395 | 155,386 |
| Net effect of changed accounting policies | 0 | 0 | 6,302 | 6,302 |
| Balance as at 01.07.19 | 500 | 6,491 | 154,697 | 161,688 |
| Net profit/loss for the year | 0 | -6,274 | 19,342 | 13,068 |
| Balance as at 30.06.20 | 500 | 217 | 174,039 | 174,756 |

## 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: | 2019/20 DKK '000 | 2018/19 DKK '000 |
|---|---|---|---|
| Write-downs of inventories | Write-downs of current assets exceeding normal write-downs | -7,832 | 0 |
| Costs concerning sales of the company | Other operating expenses | 0 | 18,019 |
| Total | | -7,832 | 18,019 |

| | 2019/20 DKK '000 | 2018/19 DKK '000 |
|---|---|---|
| **2. Staff costs** | | |
| Wages and salaries | 26,419 | 24,262 |
| Other social security costs | 631 | 587 |
| Other staff costs | 271 | 276 |
| Total | 27,321 | 25,125 |
| Average number of employees during the year | 77 | 70 |

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

| | 2019/20<br>DKK '000 | 2018/19<br>DKK '000 |
|---|---|---|

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

| | | |
|---|---|---|
| Amortisation of intangible assets | 8 | 0 |
| Depreciation of property, plant and equipment | 1,689 | 1,471 |
| Total | 1,697 | 1,471 |

## 4. Income from equity investments in group enterprises

| | | |
|---|---|---|
| Income from equity investments in group enterprises | -6,381 | 6,461 |
| Total | -6,381 | 6,461 |

## 5. Financial income

| | | |
|---|---|---|
| Interest, group enterprises | 1,587 | 2,309 |
| Other financial income | 646 | 1,239 |
| Total | 2,233 | 3,548 |

## 6. Financial expenses

| | | |
|---|---|---|
| Interest, group enterprises | 0 | 114 |
| Other financial expenses | 4,099 | 7,740 |
| Total | 4,099 | 7,854 |

| | 2019/20<br>DKK '000 | 2018/19<br>DKK '000 |
|---|---|---|

## 7. Tax on profit or loss for the year

| | | |
|---|---|---|
| Tax on profit or loss for the year | 1,271 | 25,337 |
| Adjustment of deferred tax for the year | 4,581 | 1,357 |
| Adjustment of tax in respect of previous years | 9 | 0 |
| Total | 5,861 | 26,694 |

## 8. Distribution of net profit

| | | |
|---|---|---|
| Reserve for net revaluation according to the equity method | -6,274 | 6,490 |
| Extraordinary dividend for the financial year | 0 | 163,200 |
| Retained earnings | 19,342 | -87,990 |
| Total | 13,068 | 81,700 |

## 9. Intangible assets

| Figures in DKK '000 | Acquired rights |
|---|---|
| Additions during the year | 226 |
| Cost as at 30.06.20 | 226 |
| Amortisation during the year | -8 |
| Amortisation and impairment losses as at 30.06.20 | -8 |
| Carrying amount as at 30.06.20 | 218 |

## 10. Property, plant and equipment

| Figures in DKK '000 | Other fixtures and fittings, tools and equipment |
|---|---|
| Cost as at 01.07.19 | 10,118 |
| Additions during the year | 1,587 |
| Cost as at 30.06.20 | 11,705 |
| Depreciation and impairment losses as at 01.07.19 | -5,000 |
| Depreciation during the year | -1,689 |
| Depreciation and impairment losses as at 30.06.20 | -6,689 |
| Carrying amount as at 30.06.20 | 5,016 |

## 11. Equity investments

| Figures in DKK '000 | Equity investments in group enterprises | Equity investments in associates |
|---|---|---|
| Cost as at 01.07.19 | 186 | 650 |
| Additions during the year | 0 | 606 |
| Disposals during the year | 0 | -250 |
| Transfers during the year to/from other items | 1,006 | -1,006 |
| Cost as at 30.06.20 | 1,192 | 0 |
| Revaluations as at 01.07.19 | 6,491 | -227 |
| Reversal of revaluations of disposed assets | 0 | 250 |
| Net profit/loss from equity investments | -6,413 | 116 |
| Transfers during the year to/from other items | 23 | -23 |
| Revaluations as at 30.06.20 | 101 | 116 |
| Carrying amount as at 30.06.20 | 1,293 | 116 |
| Goodwill on initial recognition of equity investments measured at equity value | 0 | 0 |

| Name and Registered office: | Ownership interest |
|---|---|
| Group enterprises: | |
| Helstrand Germany GmbH, Germany | 100% |
| Helstrand Dressage USA, LLC, US | 100% |
| Epic Horse A/S, Denmark | 100% |
| Helgstrand Event ApS, Denmark | 100% |
| Associates | |
| Bengtsson & Helgstrand GmbH, Germany | 50% |

## 12. Other non-current financial assets

| Figures in DKK '000 | Deposits |
|---|---|
| Cost as at 01.07.19 | 366 |
| Cost as at 30.06.20 | 366 |

## 13. Prepayments

| | | |
|---|---|---|
| Other prepayments | 16 | 0 |

## 14. Deferred tax

| | | |
|---|---|---|
| Deferred tax as at 01.07.19 | 5,037 | 3,680 |
| Deferred tax recognised in the income statement | 4,581 | 1,357 |
| Deferred tax as at 30.06.20 | 9,618 | 5,037 |

Deferred tax is distributed as below:

| | | |
|---|---|---|
| Intangible assets | -48 | 0 |
| Property, plant and equipment | -236 | -319 |
| Inventories | -9,697 | -5,081 |
| Liabilities | 363 | 363 |
| Total | -9,618 | -5,037 |

## 15. Other provisions

Figures in DKK '000

Other provisions are expected to be distributed as follows:

## 16. Contingent liabilities

*Lease commitments*

The company has concluded lease agreements with terms to maturity of 2-62 months and average lease payments of DKK 729k, a total of DKK 5,241k.

*Recourse guarantee commitments*

The company has provided a guarantee whereby the guarantor assumes primary liability for a number of group enterprises' debt to credit institutions. The group enterprises' debt to the credit institutions concerned amounts to DKK 8,500k at the balance sheet date.

## 16. 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.

## 17. Charges and security

The company has provided a garantee for mortgage debt totaling DKK 69.581k.

The enterprise has provided a company charge of DKK 75,000k as security for debt to credit institutions. As at 30.06.20, the company charge comprises the folowwing assets with the folowwing carrying amounts:

- Other plant, fixtures and fittings, tools and equipment, DKK 516k
- Inventories, DKK 219,553k
- Trade receivables, DKK 12,269k

## 18. Related parties

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

## 19. 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.

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

## 19. Accounting policies - continued -

### Change in accounting policies

The company has changed its accounting policies in the following areas:

*Inclusion of production overheads in the cost of inventories*

Previously, production overheads were expensed in the income statement. In future, production overheads will be included in the cost of inventories as management believes that this will provide a fairer presentation. The comparative figures have been restated in accordance with the new accounting policy. The change in accounting policy has a positive impact of DKK 9,708k on the net profit or loss for the financial year 01.07.19 - 30.06.20. The change has a positive impact of DKK 6,302k on the net profit or loss for the financial year 01.07.2018 - 30.06.19. As at 30.06.20, equity is increased by DKK 27.722k and the balance sheet total is increased by DKK 35.541k.

Except for the areas mentioned above, the accounting policies have been applied consistently with the previous year.

### 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

**19. Accounting policies** - continued -

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.
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.

**19. Accounting policies** - continued -

## 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.

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.

## 19. Accounting policies - continued -

### Depreciation, amortisation and impairment losses

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

| | Useful lives, years | Residual value, per cent |
|---|---|---|
| Acquired rights | 10 | 0 |
| Other plant, fixtures and fittings, tools and equipment | 3-8 | 0 |

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

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

### 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.

**19. Accounting policies** - continued -

### 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.

Company's 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

### Intangible assets

*Acquired rights*

Aquired rights are measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Acquired rights are amortised using the straight-line method based on useful lives, which are stated in the 'Depreciation, amortisation and impairment losses' section.

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

## 19. Accounting policies - continued -

### Property, plant and equipment

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

## 19. Accounting policies - continued -

### 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 and amortisation.
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.

## 19. Accounting policies - continued -

### 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.

### Prepayments

Prepayments recognised under assets comprise costs incurred in respect of subsequent financial years.

### 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

**19. Accounting policies** - continued -

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.

### 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.