BEIERHOLM
VI SKABER BALANCE

SkyBrands Holding A/S

Roskildevej 6, 7100 Vejle
CVR no. 36 71 53 24

Annual report for 2023

Årsrapporten er godkendt på den
ordinære generalforsamling, d. 15.03.24

Michael Beck
Dirigent

STATSAUTORISERET
REVISIONSPARTNERSELSKAB

Vi er et uafhængigt medlem af
det globale rådgivnings- og revisionsnetværk

Aarhus
Tangen 9
8200 Aarhus N

Tel. 87 32 57 00
www.beierholm.dk
CVR-nr. 32 89 54 68

Table of contents

Group information etc.

The company

SkyBrands Holding A/S
Roskildevej 6
7100 Vejle
Registered office: Vejle
CVR no.: 36 71 53 24
Financial year: 01.01 - 31.12

Executive Board

Thomas Larsen
Michael Beck

Board of Directors

Søren Bach, chairman
Hans Nielsen
Stig Løkke Pedersen

Auditors

Beierholm
Statsautoriseret Revisionspartnerselskab

Statement by the Executive Board and Board of Directors on the annual report

We have on this day presented the annual report for the financial year 01.01.23 - 31.12.23 for SkyBrands Holding A/S.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and financial statements give a true and fair view of the group's and the parent's assets, liabilities and financial position as at 31.12.23 and of the results of the group's and parent's activities and of the group's cash flows for the financial year 01.01.23 - 31.12.23.

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.

Vejle, March 15, 2024

Executive Board

Thomas Larsen   Michael Beck

Board of Directors

Søren Bach
Chairman

Hans Nielsen

Stig Løkke Pedersen

To the Shareholders of SkyBrands Holding A/S

Opinion

We have audited the consolidated financial statements and financial statements of SkyBrands Holding A/S for the financial year 01.01.23 - 31.12.23, which comprise income statement, balance sheet, statement of changes in equity and notes to the financial statements, including significant accounting policies for the group as well as for the parent company as well as the consolidated cash flow statement. The consolidated financial statements and financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion the consolidated financial statements and financial statements give a true and fair view of the group's and the company's financial position at 31.12.23 and of the results of the group's and the company's operations and consolidated cash flows for the financial year 01.01.23 - 31.12.23 in accordance with the Danish Financial Statements Act.

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 consolidated financial statements and financial statements" section of our report. We are independent of the group and the company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on the management's review

Management is responsible for the management's review.

Our opinion on the consolidated financial statements and financial statements does not cover the management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and financial statements, it is our responsibility to read management's review and, in doing so, consider whether management's review is materially inconsistent with the consolidated financial statements or parent company 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 the management's review is in accordance with the consolidated financial statements and financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management's review.

Management's responsibilities for the consolidated financial statements and financial statements

Management is responsible for the preparation of consolidated financial statements and 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 consolidated financial statements and financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and financial statements, management is responsible for assessing the group's and 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 consolidated financial statements and financial statements unless management either intends to liquidate the group and the company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and 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 consolidated financial statements and financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and 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 group's and 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 consolidated financial statements and 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 group's and 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 consolidated financial statements and 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 group and the company to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Aarhus, March 15, 2024

Beierholm

Statsautoriseret Revisionspartnerselskab
CVR no. 32 89 54 68

Casper Jensby

State Authorized Public Accountant
MNE-no. mne36181

GROUPS FINANCIAL HIGHLIGHTS

Key figures

Figures in DKK '000	2023	2022	2021	2020	2019
Profit/loss					
Operating profit/loss	7,422	8,853	-102,026	-8,936	-9,510
Total net financials	-2,114	-1,067	30,897	-2,926	-2,653
Profit for the year	3,524	5,376	-71,809	-11,941	-12,119
Balance					
Total assets	95,212	99,871	108,127	181,991	194,783
Investments in property, plant and equipment	128	0	79	69	141
Equity	53,023	49,197	42,920	101,024	113,772

Ratios

	2023	2022	2021	2020	2019
Profitability					
Return on equity	7%	12%	-100%	-12%	-10%
Equity ratio					
Solvency ratio	56%	49%	40%	56%	58%
Liquidity and financing					
Liquidity ratio	186%	151%	96%	70%	68%
Others					
Number of employees (average)	23	25	22	23	22

Ratios definitions

Return on equity: $\dfrac{\text{Profit/loss for the year x 100}}{\text{Average equity}}$

Solvency ratio: $\dfrac{\text{Equity, end of year x 100}}{\text{Total assets}}$

Liquidity ratio: $\dfrac{\text{Current assets x 100}}{\text{Short-term payables}}$

Primary activities

The main activity of the Group involves commercial operations in branded home and apparel textile products. The Group designs, produces (through subcontractors), and sells branded home and apparel textile products, where brands are licensed from brand owners such as Warner Bros or Universal.

Development in activities and financial affairs

The income statement for the period 01.01.23 - 31.12.23 shows a profit/loss of DKK 3,524k against DKK 5,376k for the period 01.01.22 - 31.12.22. The balance sheet shows equity of DKK 53,023k.

This result must be viewed in light of the significant challenges the Group faced throughout the year, with high inflation and interest rates affecting consumer behavior, leading to an ongoing reluctant purchasing strategy from retailers. With a focus on profitable business and the initiation of a new international apparel department in the subsidiary SkyBrands A/S, the Group achieved a very satisfying result, surpassing budgeted expectations. In 2023, the Group successfully implemented a new IT setup, including a new ERP system, laying the foundation for ongoing improvements in digital solutions and process optimization.

Outlook

Following another successful year, the Group will continue developing the business model, focusing on new profitable business collaborations, improvements in digital solutions, and process optimization. The lingering effects of the recession are expected to continue influencing retailers' hesitant buying behavior in 2024. Despite this, the Group is prepared to face the challenges by focusing on business model improvements, gaining new costumers, and expanding the product range. Under these circumstances, the Group enters 2024 with a robust order backlog. The group expects to reach a pre-tax profit in the range of DKK 1,500 – 3,000 in the coming year.

Financial risks

Foreign currency risks

The Group operates sales operations across Europe, procurement across Europe and Asia, and reports and pays royalties to brand owners quarterly. The Group purchases mainly in USD and reports and pays royalties in USD and EUR, while sales are typically in DKK, USD, or EUR. This exposes the Group to the risk of currency fluctuations. The Group operates under a defined financial policy, which includes a policy on currency, to manage any currency-related risks. This is primarily effectuated through the use of financial instruments to cover all expected turnover, procurement, and royalty cash flows for the coming 12 months at any given point in time. The Group does not speculate on currency fluctuations from a group perspective.

Subsequent events

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

Income statement

Note		Group		Parent	
		2023 DKK '000	2022 DKK '000	2023 DKK '000	2022 DKK '000
	Gross result	**28,535**	**29,698**	**-56**	**-64**
1	Staff costs	-17,269	-17,031	0	0
	Profit/loss before depreciation, amortisation, write-downs and impairment losses	**11,266**	**12,667**	**-56**	**-64**
	Depreciation, amortisation and impairments losses of intangible assets and property, plant and equipment	-3,844	-3,814	0	0
	Operating profit/loss	**7,422**	**8,853**	**-56**	**-64**
2	Income from equity investments in group enterprises	0	0	3,524	5,493
	Financial income	1,522	545	0	0
3	Financial expenses	-3,636	-1,612	-24	-86
	Profit before tax	**5,308**	**7,786**	**3,444**	**5,343**
	Tax on profit for the year	-1,784	-2,410	80	33
	Profit for the year	**3,524**	**5,376**	**3,524**	**5,376**

4 Proposed appropriation account

Balance sheet

ASSETS

Note		Group 31.12.23 DKK '000	Group 31.12.22 DKK '000	Parent 31.12.23 DKK '000	Parent 31.12.22 DKK '000
	Completed development projects	739	0	0	0
	Goodwill	42,406	46,119	0	0
	Development projects in progress	0	91	0	0
5	**Total intangible assets**	**43,145**	**46,210**	**0**	**0**
	Other fixtures and fittings, tools and equipment	212	175	0	0
6	**Total property, plant and equipment**	**212**	**175**	**0**	**0**
7	Equity investments in group enterprises	0	0	54,051	51,024
8	Deposits	467	423	0	0
8	Other receivables	4	4	0	0
	Total investments	**471**	**427**	**54,051**	**51,024**
	Total non-current assets	**43,828**	**46,812**	**54,051**	**51,024**
	Manufactured goods and goods for resale	8,999	16,931	0	0
	Total inventories	**8,999**	**16,931**	**0**	**0**
	Trade receivables	29,694	22,671	0	0
	Receivables from group enterprises	0	0	1,767	2,111
	Income tax receivable	24	24	0	0
	Other receivables	1,443	378	0	0
9	Prepayments	1,630	1,471	0	0
	Total receivables	**32,791**	**24,544**	**1,767**	**2,111**
	Cash	**9,594**	**11,584**	**19**	**17**
	Total current assets	**51,384**	**53,059**	**1,786**	**2,128**
	Total assets	**95,212**	**99,871**	**55,837**	**53,152**

Balance sheet

EQUITY AND LIABILITIES

Note		Group		Parent	
		31.12.23 DKK '000	31.12.22 DKK '000	31.12.23 DKK '000	31.12.22 DKK '000
10	Share capital	5,000	5,000	5,000	5,000
	Foreign currency translation reserve	-13	-2	0	0
	Cash flow hedging reserve	-185	-498	0	0
	Retained earnings	48,221	44,697	48,022	44,196
	Total equity	**53,023**	**49,197**	**53,022**	**49,196**
11	Provisions for deferred tax	334	97	0	0
12	Other provisions	1,077	845	0	0
	Total provisions	**1,411**	**942**	**0**	**0**
13	Payables to other credit institutions	12,500	14,000	0	0
13	Other payables	710	686	0	0
	Total long-term payables	**13,210**	**14,686**	**0**	**0**
13	Short-term part of long-term payables	1,500	1,000	0	0
	Payables to other credit institutions	0	109	0	0
	Trade payables	18,489	26,173	53	53
	Payables to group enterprises	0	0	346	56
	Income taxes	1,216	2,141	1,216	2,141
	Other payables	6,363	5,623	1,200	1,706
	Total short-term payables	**27,568**	**35,046**	**2,815**	**3,956**
	Total payables	**40,778**	**49,732**	**2,815**	**3,956**
	Total equity and liabilities	**95,212**	**99,871**	**55,837**	**53,152**

14 Fair value information
15 Derivative financial instruments
16 Contingent liabilities
17 Charges and security
18 Related parties

Statement of changes in equity

Figures in DKK '000	Share capital	Foreign currency translation reserve	Cash flow hedging reserve	Retained earnings	Total equity
Group:					
Statement of changes in equity for 01.01.23 - 31.12.23					
Balance as at 01.01.23	5,000	-2	-498	44,697	49,197
Foreign currency translation adjustment of foreign enterprises	0	-11	0	0	-11
Fair value adjustment of hedging instruments	0	0	501	0	501
Tax on changes in equity	0	0	-188	0	-188
Net profit/loss for the year	0	0	0	3,524	3,524
Balance as at 31.12.23	5,000	-13	-185	48,221	53,023
Parent:					
Statement of changes in equity for 01.01.23 - 31.12.23					
Balance as at 01.01.23	5,000	0	0	44,196	49,196
Other changes in equity	0	0	0	501	501
Tax on changes in equity	0	0	0	-188	-188
Transfers to/from other reserves	0	0	0	-11	-11
Net profit/loss for the year	0	0	0	3,524	3,524
Balance as at 31.12.23	5,000	0	0	48,022	53,022

Consolidated cash flow statement

Note		Group 2023 DKK '000	Group 2022 DKK '000
	Profit for the year	**3,524**	**5,376**
19	Adjustments	7,981	8,155
	Change in working capital:		
	Inventories	7,932	8,262
	Receivables	-7,862	848
	Trade payables	-7,684	6,767
	Other payables relating to operating activities	761	1,753
	Cash flows from operating activities before net financials	**4,652**	**31,161**
	Interest income and similar income received	1,522	545
	Interest expenses and similar expenses paid	-3,636	-1,612
	Income tax paid	-2,612	-941
	Cash flows from operating activities	**-74**	**29,153**
	Purchase of intangible assets	-687	-91
	Purchase of property, plant and equipment	-128	0
	Sale of property, plant and equipment	8	0
	Cash flows from investing activities	**-807**	**-91**
	Sale of treasury shares	0	1,570
	Repayment of payables to credit institutions	-1,109	-20,746
	Cash flows from financing activities	**-1,109**	**-19,176**
	Total cash flows for the year	**-1,990**	**9,886**
	Cash, beginning of year	11,584	1,698
	Cash, end of year	**9,594**	**11,584**
	Cash, end of year, comprises:		
	Cash	9,594	11,584
	Total	**9,594**	**11,584**

	Group		Parent	
	2023 DKK '000	2022 DKK '000	2023 DKK '000	2022 DKK '000

1. Staff costs

Wages and salaries	16,354	16,151	0	0
Pensions	488	469	0	0
Other social security costs	136	140	0	0
Other staff costs	291	271	0	0
Total	17,269	17,031	0	0
Average number of employees during the year	23	25	0	0

2. Income from equity investments in group enterprises

Share of profit or loss of group enterprises	0	0	7,238	9,207
Amortisation of goodwill	0	0	-3,714	-3,714
Total	0	0	3,524	5,493

3. Financial expenses

Interest, group enterprises	0	0	0	5
Other financial expenses	3,636	1,612	24	81
Total	3,636	1,612	24	86

4. Proposed appropriation account

Retained earnings	3,524	5,376	3,524	5,376
Total	3,524	5,376	3,524	5,376

5. Intangible assets

Figures in DKK '000	Completed development projects	Goodwill	Development projects in progress
Group:			
Cost as at 01.01.23	0	204,373	91
Additions during the year	0	0	687
Transfers during the year to/from other items	778	0	-778
Cost as at 31.12.23	778	204,373	0
Amortisation and impairment losses as at 01.01.23	0	-158,253	0
Amortisation during the year	-39	-3,714	0
Amortisation and impairment losses as at 31.12.23	-39	-161,967	0
Carrying amount as at 31.12.23	739	42,406	0

Completed development projects consist of a new ERP/IT setup to ensure a better and more efficient process flow. The investment is providing the basis for future growth.

6. Property, plant and equipment

Figures in DKK '000	Other fixtures and fittings, tools and equipment
Group:	
Cost as at 01.01.23	1,833
Additions during the year	128
Disposals during the year	-331
Cost as at 31.12.23	1,630
Depreciation and impairment losses as at 01.01.23	-1,658
Depreciation during the year	-91
Depreciation of and impairment losses on disposed assets for the year	331
Depreciation and impairment losses as at 31.12.23	-1,418
Carrying amount as at 31.12.23	212

7. Equity investments in group enterprises

Figures in DKK '000	Equity investments in group enterprises
Parent:	
Cost as at 01.01.23	229,765
Cost as at 31.12.23	229,765
Depreciation and impairment losses as at 01.01.23	-178,741
Foreign currency translation adjustment of foreign enterprises	-11
Amortisation of goodwill	-3,714
Net profit/loss from equity investments	7,239
Dividend relating to equity investments	-800
Fair value adjustment of hedging instruments	313
Depreciation and impairment losses as at 31.12.23	-175,714
Carrying amount as at 31.12.23	54,051

Name and registered office:	Ownership interest
Subsidiaries:	
Skybrands A/S, Vejle Kommune	100%
Skybrands GmbH, Tyskland	100%

8. Other non-current financial assets

Figures in DKK '000	Deposits	Other receivables
Group:		
Cost as at 01.01.23	424	4
Additions during the year	43	0
Cost as at 31.12.23	467	4
Carrying amount as at 31.12.23	467	4

	Group		Parent	
	31.12.23 DKK '000	31.12.22 DKK '000	31.12.23 DKK '000	31.12.22 DKK '000

9. Prepayments

Other prepayments	1,630	1,471	0	0
Total	1,630	1,471	0	0

Prepayments consist of prepaid expenses concerning insurance premiums, subscriptions and royalties.

10. Share capital

The share capital consists of:

	Quantity	Total nominal value DKK'000
Share capital	5,000,000	5,000

	Group		Parent	
	31.12.23 DKK '000	31.12.22 DKK '000	31.12.23 DKK '000	31.12.22 DKK '000
11. Deferred tax				
Deferred tax as at 01.01.23	97	-31	0	0
Deferred tax recognised in the income statement	237	128	0	0
Deferred tax as at 31.12.23	334	97	0	0
Deferred tax is recognized in the balance sheet as:				
Provisions for deferred tax	334	97	0	0
Deferred tax is distributed as below:				
Intangible assets	162	0	0	0
Property, plant and equipment	-21	-3	0	0
Receivables	219	120	0	0
Liabilities	-26	-20	0	0
Total	334	97	0	0

12. Other provisions

Figures in DKK '000	Other provisions
Group:	
Provisions as at 01.01.23	845
Provisions during the year	232
Provisions as at 31.12.23	1,077

	Group		Parent	
	31.12.23 DKK '000	31.12.22 DKK '000	31.12.23 DKK '000	31.12.22 DKK '000

12. Other provisions - continued -

Other provisions are expected to be distributed as follows:				
Current liabilities	1,077	845	0	0

Other provisions consist of provision for returns of sold goods.

13. Long-term payables

Figures in DKK '000	Repayment first year	Outstanding debt after 5 years	Total payables at 31.12.23	Total payables at 31.12.22
Group:				
Payables to credit institutions	1,500	0	14,000	15,000
Other payables	0	710	710	686
Total	1,500	710	14,710	15,686

14. Fair value information

Figures in DKK '000	Derivative financial instruments	Total
Group:		
Fair value as at 31.12.23	-186	-186
Unrealised changes of fair value recognised in equity for the year	-186	-186

15. Derivative financial instruments

Group:

The Board of Directors lays down the framework for the conclusion of contracts for derivative financial instruments. The company concludes contracts for the sole purpose of hedging on group level of the currency risk on the future purchase and sale of goods in foreign currency. At the end of a 2023, a future purchase of goods of USD 1,923k and a future sale of goods of EUR 1,758k was secured for a period of up to 169 days. The fair value of the forward exchange contracts amounts to DKK -186k as at 31.12.23, and the unrealised net loss before tax recognised in equity as at 31.12.23 constitutes DKK 186k. Forward exchange contracts are only concluded with counterparties (Danish banks) with a good credit score from a reputable credit rating agency.

16. Contingent liabilities

Group:

Lease commitments

The group has concluded lease agreements with terms to maturity of up to 57 months and total lease payments of DKK 2,065k.

Parent:

Lease commitments

Recourse guarantee commitments

The company has provided a guarantee for group enterprises' debt to credit institutions. The guarantee is unlimited. The group enterprises' debt to the credit institutions concerned amounts to DKK 14,186k at the balance sheet date.

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 and any obligations to withhold tax at source on interest, royalties and dividends 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

Group:

The group has provided a company charge of DKK 10,000k as security for debt to credit institutions. As at 31.12.23, the company charge comprises the following assets with the following carrying amounts:

- Other plant, fixtures and fittings, tools and equipment, DKK 166k
- Inventories, DKK 4,249k
- Trade receivables, DKK 22,802k

Parent:

The company has provided a charge over shares in Skybrands A/S, nominal value DKK 1,000k, as security for debt of subsidiary enterprises to credit institutions. At the balance sheet date, the debt to credit institutions amounts to DKK 14,186k. The carrying amount of the charged assets totals DKK 54,051k.

18. Related parties

Related party transactions are not disclosed, as all transactions are entered into in the ordinary course of business at arms' length.

	Group	
	2023 DKK '000	2022 DKK '000
19. Adjustments for the cash flow statement		
Other operating income	-8	0
Depreciation, amortisation and impairments losses of intangible assets and property, plant and equipment	3,844	3,814
Write-down of current assets exceeding normal write-downs	15	19
Financial income	-1,522	-545
Financial expenses	3,636	1,612
Tax on profit or loss for the year	1,784	2,410
Other adjustments	232	845
Total	7,981	8,155

20. Accounting policies

GENERAL

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act for medium-sized groups and enterprises in reporting class C with application of provisions for a higher reporting class.

The accounting policies have been applied consistently with previous years.

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 the company, 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 the company, 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.

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements comprise the parent and its subsidiaries in which the parent directly or indirectly holds more than 50% of the voting rights or by way of agreements exercises control.

All financial statements used for consolidation are prepared in accordance with the accounting policies of the group.

The consolidated financial statements consolidate the financial statements of the parent and its subsidiaries by adding together items of a uniform nature, eliminating intercompany income and expenditure, equity investments, intercompany balances and dividends as well as gains and losses resulting from transactions between the consolidated enterprises to the extent that the underlying assets and liabilities are not realised.

20. Accounting policies - continued -

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.

On recognition of independent foreign 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 under the reserve for net revaluation according to the equity method in respect of investments measured according to the equity method, and otherwise under the foreign currency translation reserve.

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

20. Accounting policies - continued -

DERIVATIVE FINANCIAL INSTRUMENTS

On initial recognition, derivative financial instruments are measured at cost. Subsequently, they are measured at fair value and recognised under other receivables and other payables, respectively.

Fair value adjustment of derivative financial instruments classified as and meeting the criteria for hedging future cash flows (cash flow hedging) are recognised in equity under the cash flow hedging reserve. In the event that the hedged transaction results in the recognition of an asset or a liability, the accumulated fair value adjustment of the hedging instrument, which was previously recognised in equity, will be included in the cost of the asset or the liability. In the event that the hedged transaction results in the recognition of an income or an expense, the accumulated fair value adjustment of the hedging instrument, which was previously recognised in equity, will be recognised together with the hedged income or expense.

If the hedged transaction is no longer expected to occur, the cash flow hedging treatment is discontinued, and the accumulated fair value adjustment of the hedging instrument is transferred to other net financials in the income statement. If the hedged transaction is still expected to occur, but the criteria for cash flow hedging are no longer met, the hedging treatment is discontinued, and the accumulated fair value adjustment of the hedging instrument remains in equity until the transaction occurs.

Fair value adjustments of derivative financial instruments that do not meet the criteria for hedge accounting treatment are recognised under other net financials in the income statement on an ongoing basis.

LEASES

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

20. Accounting policies - continued -

INCOME STATEMENT

Gross result

Gross result comprises revenue, other operating income and cost of sales and other external expenses.

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.

Cost of sales

Cost of sales comprises cost of sales for the year measured at cost plus any changes in inventories, including write-downs 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.

20. 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 DKK '000
Completed development projects	5	0
Goodwill	20	0
Other plant, fixtures and fittings, tools and equipment	3-5	0

Goodwill is amortised over 20 years. The useful life has been determined in consideration of the expected future net earnings of the enterprise or activity to which the goodwill relates.

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.

Income from equity investments in group entreprises

For equity investments in subsidiaries that in the parent are 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.

Income from equity investments in equity investments in subsidiaries 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

20. Accounting policies - continued -

with the portion attributable to amounts recognised directly in equity.
The company is jointly taxed with Danish consolidated enterprises. The parent is the administration company for the joint taxation and thus settles all income tax payments with the tax authorities.

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

Completed development projects and development projects in progress

Development projects are recognised in the balance sheet where the project aims at developing a specific product or a specific process, intended to be produced or used, respectively, by the company in its production process. On initial recognition, development projects are measured at cost. Cost comprises the purchase price plus expenses resulting directly from the purchase, including wages and salaries directly attributable to the development projects until the asset is ready for use. Interest on loans arranged to finance development projects in the development period is not included in the cost. Other development projects and development costs are recognised in the income statement in the year in which they are incurred.

Development projects in progress are transferred to completed development projects when the asset is ready for use.

Development projects are subsequently measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Completed development projects are amortised using the straight-line method based on useful lives, which are stated in the ‘Depreciation, amortisation and impairment losses’ section.

Goodwill

Goodwill is measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Goodwill is amortised using the straight-line method based on useful lives, which are stated in the ‘Depreciation, amortisation and impairment losses’ section.

20. Accounting policies - continued -

Gains or losses on the disposal of intangible assets

Gains or 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.

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

Equity investments in subsidiaries are recognised and measured according to the equity method in the balance sheet of the parent. For equity investments in subsidiaries, the equity method is considered a consolidation method.

On initial recognition, equity investments measured according to the equity method are measured at cost. Transaction costs directly attributable to the acquisition are recognised in the income statement at the date incurred.

On subsequent recognition and measurement of equity investments according to the equity method, 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 goodwill and gains and losses on transactions with the enterprises in question. Equity investments, where information for recognition according to the equity method is not known, are measured at cost.

Equity investments 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

20. Accounting policies - continued -

that such receivables are considered uncollectible. Provisions to cover the remaining negative equity value are recognised to the extent that the parent has a legal or constructive obligation to cover the liabilities of the enterprise in question.

On the acquisition of non-controlling interests in subsidiaries, the difference between the consideration and the carrying amount of the equity investments is recognised in the parent's equity.

Goodwill recognised under equity investments is amortised according to the straight-line method based on an individual assessment of the useful life of the asset. The useful life of goodwill has been determined at 20 years for equity investments in subsidiaries. The useful life has been determined in consideration of the expected future net earnings of the enterprise to which the goodwill relates.

Gains or losses on disposal of equity investments are determined as the difference between the disposal 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.

On disposal of non-controlling interests in subsidiaries that do not result in loss of control of the subsidiary, the difference between the consideration and the equity value of the equity investments is recognised in the parent's equity.

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 the 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.

20. Accounting policies - continued -

Impairment losses are reversed when the reasons for the impairment no longer exist. Impairment losses on goodwill are not reversed, unless goodwill is included in the carrying amount of equity investments.

Inventories

Inventories are measured at cost calculated according to the FIFO-method. 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 the company.

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.

20. Accounting policies - continued -

Equity

The net revaluation of equity investments measured according to the equity method is recognized in the financial statements of the parent in the net revaluation reserve in equity according to the equity method to the extent that the carrying amount exceeds the cost.

Unrealised foreign currency gains and losses from the translation of the net investment in independent foreign entities are recognised in equity under the foreign currency translation reserve. The reserve is dissolved when the independent foreign entities are disposed of.

Unrealised gains and losses on financial instruments classified as and meeting the criteria for hedging of future cash flows (cash flow hedging) are recognised in equity under the cash flow hedging reserve. The reserve is measured less deferred tax. The reserve is dissolved when the hedged transaction occurs, or it is no longer expected to occur.

Provisions

Other provisions comprise expected expenses incidental to restructuring etc. and are recognised when the company has a legal or constructive obligation at the balance sheet date and it is probable that such obligation will draw on the financial resources of the company. Provisions are measured at net realisable value or fair value if the provision is expected to be settled over the longer term.

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 within the same tax jurisdiction or elimination in tax on future earnings.

20. Accounting policies - continued -

Deferred tax is measured on the basis of the tax rules and at the tax rates in the respective countries 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

Long-term payables are measured at cost at the time of contracting such liabilities (raising of the loan). The payables are subsequently measured at amortised cost where capital losses and loan expenses are recognised in the income statement as a financial expense over the term of the payable on the basis of the calculated effective interest rate in force at the time of contracting the liability.

Short-term financial payables are measured at amortised cost, normally corresponding to the nominal value of such payables. Other short-term payables are measured at net realisable value.

CASH FLOW STATEMENT

The cash flow statement is prepared using the indirect method, showing cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities comprise the net profit or loss for the year, adjusted for non-cash operating items, income tax paid and changes in working capital.

Cash flows from investing activities comprise payments in connection with the acquisition and divestment of companies and financial assets as well as the purchase, development, improvement and sale of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise changes in the parent's share capital and associated costs and financing from and dividends paid to shareholders as well as the arrangement and repayment of long-term payables.

Cash and cash equivalents at the beginning and end of the year comprise cash and short-term payables to credit institutions.
Referring to section 86(4) of the Danish Financial Statements Act a cash flow statement has not been prepared for the parent as the parent is included in the consolidated cash flow statement.