
Pack Tech A/S

Virkeholm 3B, 2., DK-2730 Herlev

Annual Report for 1 July 2019 - 30 June 2020

CVR No 37 14 41 18

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
14/11 2020

Peter Skau-Andersen
Chairman of the General
Meeting



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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Pack Tech A/S for the financial year 1 July 2019 - 30 June 2020.

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

In our opinion the Financial Statements give a true and fair view of the financial position at 30 June 2020 of the Company and of the results of the Company operations for 2019/20.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Herlev, 14 November 2020

Executive Board

Christian Loumann Jensen
CEO

Henrik Breck
Executive Officer

Board of Directors

Peter Skau-Andersen
Chairman

Jeppe Holger Hjølund Larsen

Henrik Breck

Christian Loumann Jensen

Kristoffer Nilaus Tarp

Thomas Jeffrey Malherbes
Gullacksen

Jens Høgsted

Independent Auditor's Report

To the Shareholder of Pack Tech A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 30 June 2020 and of the results of the Company's operations for the financial year 1 July 2019 - 30 June 2020 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Pack Tech A/S for the financial year 1 July 2019 - 30 June 2020, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

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

Management's responsibilities for the Financial Statements

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

Independent Auditor's Report

ment, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the

Independent Auditor's Report

disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Hellerup, 14 November 2020

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Niels Henrik B. Mikkelsen

State Authorised Public Accountant

mne16675

Company Information

The Company

Pack Tech A/S
Virkeholm 3B, 2.
DK-2730 Herlev

CVR No: 37 14 41 18
Financial period: 1 July - 30 June
Municipality of reg. office: Herlev

Board of Directors

Peter Skau-Andersen, Chairman
Jeppe Holger Hjølund Larsen
Henrik Breck
Christian Loumann Jensen
Kristoffer Nilaus Tarp
Thomas Jeffrey Malherbes Gullacksen
Jens Høgsted

Executive Board

Christian Loumann Jensen
Henrik Breck

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Financial Highlights

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

	2019/20	2018/19	2017/18	2016/17	2015/16
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Gross profit/loss	101.412	64.478	63.755	54.823	51.171
Operating profit/loss	38.894	15.181	13.966	10.751	10.119
Profit/loss before financial income and expenses	38.894	15.181	13.966	10.751	10.119
Net financials	448	385	534	326	-51
Net profit/loss for the year	30.728	11.782	11.477	8.502	7.636
Balance sheet					
Balance sheet total	101.179	75.982	70.243	62.891	55.990
Equity	64.507	48.646	48.704	36.325	29.838
Ratios					
Return on assets	38,4%	20,0%	19,9%	17,1%	18,1%
Solvency ratio	63,8%	64,0%	69,3%	57,8%	53,3%
Return on equity	54,3%	24,2%	27,0%	25,7%	28,4%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

Management's Review

Financial Statements of Pack Tech A/S for 2019/20 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The Annual Report has been prepared under the same accounting policies as last year.

Key activities

The company's purposes are trade, industry, publishing and research.

Development in the year

The income statement of the Company for 2019/20 shows a profit of DKK 30,727,910, and at 30 June 2020 the balance sheet of the Company shows equity of DKK 64,507,285.

The profit shows an increase from last year of DKK 18,945,536, which is considered satisfactory. The increase can be attributed to previous strategy changes to focus on customized solutions and an environmentally friendly focus.

Covid-19

Covid-19 has had a huge impact on the company. Not only in terms of sales but also in the whole way of doing business. However, we have found a way and we are satisfied with the position we are in. In terms of sales, packaging for disinfection has been rising sharply, while sales of packaging for skin and hair products have been falling sharply due to periods of closure of suppliers in China as well as closed outlets for the company's customers in the EU and the US. However, the management does not consider Covid-19 to have a significant impact on the accounts, as the two sales changes virtually cancel each other out.

The profit shows an increase from last year of DKK 18,945,536, which is considered satisfactory. The increase can be attributed to previous strategy changes to focus on customized solutions and an environmentally friendly focus.

Management's Review

Strategy and objectives

The key part of Pack Tech's business remains an environmentally friendly perspective in primarily the development and production of packaging for our target groups. It is part of the strategy to gain market share by offering the market an opportunity to help change the environmental condition of the world's oceans through the OWP concept. This is a strategy that requires investment in our supply chain, but it is also a strategy that increases the job satisfaction of especially our employees in different countries. At the same time, the strategy is to continue to focus more on customized packaging rather than standard packaging brought home from China. The growth we continue to see comes from organic growth. Opportunities for acquisitions are being segregated on an ongoing basis, but this is not really part of the growth strategy. Through the current business - as well as the growth in the coming year - it is our goal to create an annual profit for the benefit of the company's shareholders and especially for use to expand the leg of our business that helps to clean the world's oceans of plastic. If we are skilled and not least lucky, we will succeed in becoming the leading company in this field. A mantra in our business is to constantly challenge paradigms and mindsets - and by never giving up, even when things seem insoluble. We believe that this will be the driving force in a possible success.

Expectations for the coming year

Investments are planned in the supply chain, just as an increased marketing budget is planned to improve awareness of the company and its brand. Despite these investments, there is an expectation of an organic increase in revenue of approx. 15% with a growth in earnings of approx. 20%. That earnings increase more than revenue in percentage terms is explained here by a changed product mix as part of our strategy of increased customer adaptation and an increased focus on the environment. In addition, increased efficiency has ensured that we have also been able to maintain overheads at a stable level.

Special risks - operating risks and financial risks

Market risks

In order to reduce the effect of a possible risk from individual markets (political, currency, etc.), there is still a focus on sales in several markets. The trade war between the US and China as well as Brexit are expected to have some impact on operations in the coming year.

Foreign exchange risks

Activities abroad mean that profit and equity are affected by exchange rate and interest rate developments for a number of currencies. It is the company's monetary policy partly to hedge commercial currency risks, and increasingly seek against exchange rate neutrality against primarily the USD.

Liquidity risks

No liquidity risks are assessed.

Management's Review

Uncertainty relating to recognition and measurement

There has been no uncertainty in recognition and measurement in the annual report. Unusual conditions
The company's assets, liabilities and financial position per. June 30, 2020 as well as the result of the
company's activities for 2019/20 are not affected by unusual circumstances.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet
date.

Income Statement 1 July - 30 June

	Note	2019/20 DKK	2018/19 DKK
Gross profit/loss		101.412.285	64.477.998
Distribution expenses	1	-34.328.551	-25.422.154
Administrative expenses	1	-28.189.632	-23.875.020
Operating profit/loss		38.894.102	15.180.824
Profit/loss before financial income and expenses		38.894.102	15.180.824
Income from investments in subsidiaries	2	-124.998	63.227
Financial income	3	767.715	797.183
Financial expenses		-194.516	-475.525
Profit/loss before tax		39.342.303	15.565.709
Tax on profit/loss for the year	4	-8.614.393	-3.783.335
Net profit/loss for the year		30.727.910	11.782.374

Balance Sheet 30 June

Assets

	Note	2019/20 DKK	2018/19 DKK
Plant and machinery		649.858	543.791
Other fixtures and fittings, tools and equipment		706.404	207.974
Leasehold improvements		601.396	736.159
Property, plant and equipment	5	1.957.658	1.487.924
Investments in subsidiaries	6	144.390	104.253
Investments in associates	7	12.500	12.500
Other receivables	8	73.431	72.798
Fixed asset investments		230.321	189.551
Fixed assets		2.187.979	1.677.475
Finished goods and goods for resale		21.167.207	17.347.079
Prepayments for goods		14.457.018	3.616.763
Inventories		35.624.225	20.963.842
Trade receivables		27.242.377	27.914.988
Receivables from group enterprises		10.865.836	11.904.366
Other receivables	9	265.099	1.908.012
Deferred tax asset	10	547.048	716.619
Prepayments	11	761.527	550.034
Receivables		39.681.887	42.994.019
Cash at bank and in hand		23.684.431	10.347.009
Currents assets		98.990.543	74.304.870
Assets		101.178.522	75.982.345

Balance Sheet 30 June

Liabilities and equity

	Note	2019/20 DKK	2018/19 DKK
Share capital		500.000	500.000
Retained earnings		48.607.285	41.172.017
Proposed dividend for the year		15.400.000	6.974.000
Equity	12	64.507.285	48.646.017
Other provisions	14	450.000	875.000
Provisions		450.000	875.000
Payables to group enterprises relating to corporation tax		8.372.738	3.421.528
Long-term debt	15	8.372.738	3.421.528
Credit institutions		5.326.065	8.730.036
Prepayments received from customers		5.617.462	661.996
Trade payables		6.288.921	5.087.066
Payables to group enterprises		317.787	358.924
Payables to group enterprises relating to corporation tax	15	3.421.528	3.144.664
Other payables		6.876.736	5.057.114
Short-term debt		27.848.499	23.039.800
Debt		36.221.237	26.461.328
Liabilities and equity		101.178.522	75.982.345
Distribution of profit	13		
Contingent assets, liabilities and other financial obligations	16		
Related parties	17		
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Statement of Changes in Equity

	Share capital	Retained earnings	Proposed dividend for the year	Total
	DKK	DKK	DKK	DKK
Equity at 1 July	500.000	41.172.017	6.974.000	48.646.017
Ordinary dividend paid	0	0	-6.974.000	-6.974.000
Extraordinary dividend paid	0	-7.100.000	0	-7.100.000
Fair value adjustment of hedging instruments, end of year	0	-967.023	0	-967.023
Tax on adjustment of hedging instruments for the year	0	174.381	0	174.381
Net profit/loss for the year	0	15.327.910	15.400.000	30.727.910
Equity at 30 June	500.000	48.607.285	15.400.000	64.507.285

Notes to the Financial Statements

	2019/20	2018/19
	DKK	DKK
1 Staff		
Wages and Salaries	24.724.584	20.983.123
Pensions	1.363.500	1.242.578
Other social security expenses	263.422	226.760
Other staff expenses	508.163	424.712
	26.859.669	22.877.173
Wages and Salaries, pensions, other social security expenses and other staff expenses are recognised in the following items:		
Cost of sales	700.135	260.075
Distribution expenses	5.780.642	4.859.634
Administrative expenses	20.378.892	17.757.464
	26.859.669	22.877.173
Including remuneration to the Executive and Supervisory Boards of:		
Executive Board	3.703.867	3.631.147
Board of Directors	225.000	75.000
	3.928.867	3.706.147
Average number of employees	54	48
2 Income from investments in subsidiaries		
Share of profits of subsidiaries	267.113	94.164
Share of losses of subsidiaries	-174.998	-30.937
Loss on sale of subsidiary	-217.113	0
	-124.998	63.227
3 Financial income		
Interest received from group enterprises	736.091	633.113
Other financial income	31.624	164.070
	767.715	797.183

Notes to the Financial Statements

	2019/20	2018/19
	DKK	DKK
4 Tax on profit/loss for the year		
Current tax for the year	8.372.738	3.421.228
Deferred tax for the year	169.571	236.167
Adjustment of tax concerning previous years	67.241	52.549
Adjustment of deferred tax concerning previous years	0	254.368
	8.609.550	3.964.312
which breaks down as follows:		
Tax on profit/loss for the year	8.614.393	3.783.335
Tax on changes in equity	174.381	180.977
	8.609.550	3.964.312

5 Property, plant and equipment

	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements
	DKK	DKK	DKK
Cost at 1 July	2.700.145	599.045	1.103.925
Additions for the year	229.103	789.853	80.973
Disposals for the year	0	-519.951	0
Cost at 30 June	2.929.248	868.947	1.184.898
Impairment losses and depreciation at 1 July	2.156.354	391.071	367.766
Depreciation for the year	123.036	118.108	215.736
Reversal of impairment and depreciation of sold assets	0	-346.636	0
Impairment losses and depreciation at 30 June	2.279.390	162.543	583.502
Carrying amount at 30 June	649.858	706.404	601.396
Depreciated over	5 years	3-5 years	10 years

Notes to the Financial Statements

	2019/20 DKK	2018/19 DKK
6 Investments in subsidiaries		
Cost at 1 July	150.000	50.000
Additions for the year	50.000	100.000
Disposals for the year	-50.000	0
Cost at 30 June	<u>150.000</u>	<u>150.000</u>
Value adjustments at 1 July	-45.747	-110.324
Exchange adjustment	0	1.350
Net profit/loss for the year	92.115	39.445
Other adjustments	0	23.782
Reversals for the year of revaluations in previous years	-217.113	0
Value adjustments at 30 June	<u>-170.745</u>	<u>-45.747</u>
Equity investments with negative net asset value amortised over receivables	<u>165.135</u>	<u>0</u>
Carrying amount at 30 June	<u>144.390</u>	<u>104.253</u>

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership	Equity	Net profit/loss for the year
Responseability ApS	Herlev, Denmark	50.000	100%	-165.135	-173.874
PG Verpackung UG	Harrislee, Germany	1.494	100%	94.420	-1.124
				<u>-70.715</u>	<u>-174.998</u>

Investments in PG Verpackung UG are recognized on the basis of the most recent annual accounts per December 31, 2019.

Notes to the Financial Statements

	<u>2019/20</u> DKK	<u>2018/19</u> DKK
7 Investments in associates		
Cost at 1 July	12.500	12.500
Carrying amount at 30 June	12.500	12.500

Investments in associates are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
Mavro & Lefèvre ApS	Copenhagen	50.000	25%

8 Other fixed asset investments

	<u>Other receiv- ables</u> DKK
Cost at 1 July	72.798
Additions for the year	6.211
Disposals for the year	<u>-5.578</u>
Cost at 30 June	73.431
Carrying amount at 30 June	<u>73.431</u>

Notes to the Financial Statements

9 Derivative financial instruments

Derivative financial instruments contracts in the form of forward exchange contracts have been concluded. At the balance sheet date, the fair value of derivative financial instruments amounts to:

	<u>2019/20</u> DKK	<u>2018/19</u> DKK
Other receivables	136.856	929.508

The forward exchange rates have been entered into to hedge the company's future purchases of goods in USD. Purchases of goods worth USD 481,377 have been secured. The forward exchange rates have a term of up to 1 year.

10 Deferred tax asset

Property, plant and equipment	57.769	19.132
Inventories	-236.378	-273.811
Trade receivables	-164.860	-164.860
Amortization	-2.618	-2.618
Provisions	-200.961	-294.462
Transferred to deferred tax asset	547.048	716.619
	<u>0</u>	<u>0</u>

Deferred tax has been provided at 22% corresponding to the expected current tax rate.

Deferred tax asset

Calculated tax asset	<u>547.048</u>	<u>716.619</u>
Carrying amount	<u>547.048</u>	<u>716.619</u>

11 Prepayments

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

Notes to the Financial Statements

12 Equity

The share capital consists of 500,000 shares of a nominal value of DKK 1. No shares carry any special rights.

13 Distribution of profit

Extraordinary dividend paid	7.100.000	0
Proposed dividend for the year	15.400.000	6.974.000
Reserve for net revaluation under the equity method	0	-1.350
Retained earnings	8.227.910	4.809.724
	<u>30.727.910</u>	<u>11.782.374</u>

14 Other provisions

	<u>2019/20</u> DKK	<u>2018/19</u> DKK
Complaints	0	425.000
Other provisions	450.000	450.000
	<u>450.000</u>	<u>875.000</u>

15 Long-term debt

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

The debt falls due for payment as specified below:

Payables to group enterprises relating to corporation tax

Between 1 and 5 years	8.372.738	3.421.528
Long-term part	8.372.738	3.421.528
Within 1 year	3.421.528	3.144.664
	<u>11.794.266</u>	<u>6.566.192</u>

Notes to the Financial Statements

	2019/20 DKK	2018/19 DKK
16 Contingent assets, liabilities and other financial obligations		
Charges and security		
<p>The following assets have been placed as security with mortgage credit institutes: Corporate mortgage with a nominal TDKK 15,000 Mortgage in simple receivables / goods receivables, inventory and operating equipment / equipment.</p> <p>The following assets have been placed as security with bankers: A bank guarantee has been provided as a deposit for rent, a total of DKK 181,200.</p>		
Rental and lease obligations		
<p>Lease obligations under operating leases. Total future lease payments:</p>		
Within 1 year	255.989	262.050
	255.989	262.050
<p>Rent obligations and storage obligations</p>		
Within 1 year	2.034.931	1.833.687
Other contingent liabilities		
<p>The Danish group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of BE Loumann Holding ApS, which is the management company of the joint taxation purposes. Moreover, the Danish group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.</p> <p>The company has submitted a statement of support to the subsidiary.</p>		

Notes to the Financial Statements

17 Related parties

Basis

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

Consolidated Financial Statements

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

Name

Place of registered office

BE Loumann Holding ApS

Kolding

The consolidated financial statements for BE Loumann Holding ApS can be requested at the following address:
Birkemose Allé 11, Nørre Bjert, 6000 Kolding

Notes to the Financial Statements

18 Accounting Policies

The Annual Report of Pack Tech A/S for 2019/20 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

Financial Statements for 2019/20 are presented in DKK.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of BE Loumann Holding ApS, the Company has not prepared consolidated financial statements.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of BE Loumann Holding ApS, the Company has not prepared a cash flow statement.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Notes to the Financial Statements

18 Accounting Policies (continued)

Translation policies

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

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are classified as "Other receivables" and "Other payables", respectively.

Changes in the fair values of derivative financial instruments are recognised in the income statement unless the derivative financial instrument is designated and qualify as hedge accounting, see below.

Hedge accounting

Changes in the fair values of financial instruments that are designated and qualify as fair value hedges of a recognised asset or a recognised liability are recognised in the income statement as are any changes in the fair value of the hedged asset or the hedged liability related to the hedged risk.

Changes in the fair values of derivative financial instruments that are designated and qualify as hedges of expected future transactions are recognised in retained earnings under equity as regards the effective portion of the hedge. The ineffective portion is recognised in the income statement. If the hedged transaction results in an asset or a liability, the amount deferred in equity is transferred from equity and recognised in the cost of the asset or the liability, respectively. If the hedged transaction results in an income or an expense, the amount deferred in equity is transferred from equity to the income statement in the period in which the hedged transaction is recognised. The amount is recognised in the same item as the hedged transaction.

Changes in the fair values of financial instruments that are designated and qualify as hedges of net investments in independent foreign subsidiaries or associates are recognised directly in equity as regards the effective portion of the hedge, whereas the ineffective portion is recognised in the income statement.

Notes to the Financial Statements

18 Accounting Policies (continued)

Income Statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Cost of sales

Cost of sales comprises costs incurred to achieve revenue for the year. Cost comprises raw materials, consumables, direct labour costs and indirect production costs such as maintenance and depreciation, etc, as well as operation, administration and management of factories.

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue and cost of sales.

Distribution expenses

Distribution expenses comprise costs in the form of salaries to sales and distribution staff, advertising and marketing expenses as well as operation of motor vehicles, depreciation, etc. Amortisation of goodwill is also included to the extent that goodwill relates to distribution activities.

Administrative expenses

Administrative expenses comprise expenses for Management, administrative staff, office expenses, depreciation, etc. Amortisation of goodwill is also included to the extent that goodwill relates to administrative activities.

Income from investments in subsidiaries and associates

Dividends from associates are recognised as income in the income statement when adopted at the General Meeting of the associate. However, dividends relating to earnings in the associate before it was acquired by the Parent Company are set off against the cost of the associate.

The item "Income from investments in subsidiaries" in the income statement includes the proportionate share of the profit for the year.

Notes to the Financial Statements

18 Accounting Policies (continued)

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with wholly owned Danish and foreign subsidiaries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognised in cost over the period of construction. All indirectly attributable borrowing expenses are recognised in the income statement.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Plant and machinery	5 years
Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	10 years

Depreciation period and residual value are reassessed annually.

Assets costing less than DKK 13,200 are expensed in the year of acquisition.

Notes to the Financial Statements

18 Accounting Policies (continued)

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Investments in subsidiaries and associates

Investments in associates are measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

Investments in subsidiaries are recognised and measured under the equity method.

The item "Investments in subsidiaries" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Other fixed asset investments

Other fixed asset investments consist of desposits.

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings

Notes to the Financial Statements

18 Accounting Policies (continued)

and equipment used in the manufacturing process as well as costs of factory administration and management.

Other receivables

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

Prepayments

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

Equity

Dividend

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

Provisions

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

Other provisions include warranty obligations in respect of repair work within the warranty period of . Provisions are measured and recognised based on experience with guarantee work.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Notes to the Financial Statements

18 Accounting Policies (continued)

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Loans, such as mortgage loans and loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Other debts are measured at amortised cost, substantially corresponding to nominal value.

Financial Highlights

Explanation of financial ratios

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