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DANFLOOR A/S

ØSTERBRO 9, 6933 KIBÆK

ANNUAL REPORT

2 APRIL 2017 - 1 APRIL 2018

**The Annual Report has been presented and
adopted at the Company's Annual General
Meeting on 31 August 2018**

Nicholas David George Coburn

CVR NO. 44 83 13 17

CONTENTS

	Page
Company Details	
Company Details.....	3
Statement and Report	
Statement by Board of Directors and Board of Executives.....	4
Independent Auditor's Report.....	5-6
Management's Review	
Financial Highlights.....	7
Management's Review	8
Financial Statements 2 April 2017 - 1 April 2018	
Income Statement.....	9
Balance Sheet.....	10-11
Equity.....	12
Notes.....	13-16
Accounting Policies.....	17-21

COMPANY DETAILS

Company	Danfloor A/S Østerbro 9 6933 Kibæk CVR no.: 44 83 13 17 Established: 9 May 1973 Registered Office: Kibæk Financial Year: 2 April 2017 - 1 April 2018
Board of Directors	Nicholas David George Coburn, Chairman Richard Donald Stewart Jeremy Edward Brice Wilson Jesper Krøjgaard Jensen Ian Charles Dexter
Board of Executives	Jesper Krøjgaard Jensen
Auditor	BDO Statsautoriseret revisionsaktieselskab Birk Centerpark 30 7400 Herning
Bank	Nordea
Law Firm	Dahl advokatfirma Lundborgvej 18 8800 Viborg

STATEMENT BY BOARD OF DIRECTORS AND BOARD OF EXECUTIVES

Today the Board of Directors and Board of Executives have discussed and approved the Annual Report of Danfloor A/S for the financial year 2 April 2017 - 1 April 2018.

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

In our opinion the Financial Statements give a true and fair view of the Company's financial position at 1 April 2018 and of the results of the Company's operations for the financial year 2 April 2017 - 1 April 2018.

The Management's Review includes in our opinion a fair presentation of the matters dealt with in the review.

We recommend the Annual Report be approved at the Annual General Meeting.

Kibæk, 11 June 2018

Board of Executives

Jesper Krøjgaard Jensen

Board of Directors

Nicholas David George Coburn
Chairman

Richard Donald Stewart

Jeremy Edward Brice Wilson

Jesper Krøjgaard Jensen

Ian Charles Dexter

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Danfloor A/S

Opinion

We have audited the Financial Statements of Danfloor A/S for the financial year 2 April 2017 - 1 April 2018, which comprise income statement, balance sheet, statement of changes in equity, notes and a summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Financial Statements give a true and fair view of the assets, liabilities and financial position of the Company at 1 April 2018 and of the results of the Company operations for the financial year 2 April 2017 - 1 April 2018 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 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.

Management's Responsibility for the Financial Statements

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

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 Responsibility for 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 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.

INDEPENDENT AUDITOR'S REPORT

- 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.

Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

Based on the work we have performed, 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 Act. We did not identify any material misstatement of Management's Review.

Herning, 11 June 2018

BDO Statsautoriseret revisionsaktieselskab
CVR no. 20 22 26 70

Steen Pedersen
State Authorised Public Accountant
MNE no. mne23302

FINANCIAL HIGHLIGHTS

	2017/18 DKK '000	2016/17 DKK '000	2015/16 DKK '000	2014/15 DKK '000	2013/14 DKK '000
Income statement					
Gross profit/loss.....	31.408	37.301	39.980	36.723	31.286
Operating profit/loss.....	6.548	12.112	15.779	14.040	9.854
Financial income and expenses, net.....	-6	19	-9	106	-204
Profit/loss for the year before tax.....	16.112	22.090	26.762	24.372	16.650
Profit/loss for the year.....	14.666	19.370	23.426	21.105	15.086
Balance sheet					
Balance sheet total.....	175.719	202.681	182.403	169.805	150.028
Equity.....	147.923	163.828	152.423	137.587	117.550
Investment in tangible fixed assets.....	-1.217	-18.487	-998	-2.975	-3.249
Ratios					
Rate of return.....	6,1	10,5	15,4	15,7	12,3
Solvency ratio.....	84,2	80,8	83,6	81,0	78,4
Return on equity.....	9,4	12,2	16,2	16,5	13,6

The ratios stated in the list of key figures and ratios have been calculated as follows:

Rate of return:	$\frac{\text{Profit/loss on ordinary activities} \times 100}{\text{Average invested capital}}$
Invested capital:	$\frac{\text{Intangible fixed assets (ex goodwill) + tangible assets + inventories + receivables + other working current assets - trade payables - other provisions - other long and short term working liabilities}}{\text{Total equity and liabilities, at year end}}$
Solvency ratio:	$\frac{\text{Equity ex. minorities, at year end} \times 100}{\text{Total equity and liabilities, at year end}}$
Return on equity:	$\frac{\text{Profit/loss after tax} \times 100}{\text{Average equity}}$

The ratios follow in all material respects the recommendations of the Danish Finance Society.

MANAGEMENT'S REVIEW

Principal activities

The company's activity has included sales, design and production of broadloom carpets and carpet tiles for the residential and contract market like in previous years. The designs and collections are sold in the domestic and export markets as well as through the wholly owned subsidiary Danfloor UK, Ltd.

Development in activities and financial position

During 2017 Danfloor has invested in new ColorPoint tufting technology, which has given the possibility to produce carpets with multiple colours, multiple pile heights and a variety of textures and patterns. The new investment will be the next generation of danfloor and the opportunity to enter new markets and new market segments.

These investments and introduction of new concepts will contribute to a strong position of our brand in the market, and this will also be a benefit for the future and enables us to enhance our market position.

The global market has been under pressure for a period and the markets demand has declined particular in the residential market. Taken this into consideration the result of operations for the financial year is satisfactory.

Profit/loss for the year compared to future expectations

Profit after tax for the year ended 1 April 2018 amounts to DKK ('000) 14,666 which is DKK ('000) 4,704 less than in 2016/17. The results after tax for the year were on the expected level.

Significant events after the end of the financial year

No events have occurred after the end of the financial year of material importance for the company's financial position.

Environmental situation

The company's business area is production of carpets and the impact on the external environment is limited.

Research and development activities

Environmentally based product development is continuously performed, and the costs are currently expensed.

Besides the above, there are no real research and development costs.

Future expectations

The profit for the next financial year is affected by the global economic situation in Europe and the repercussions on the building industry and the retail market. Consequently, no large growth rate is expected due to severe competition in the market and the large production capacity. This may also affect the possibilities for organic growth.

However, measures initiated in the latest years to increase sales are expected to contribute to improve our possibilities in the markets.

INCOME STATEMENT 2 APRIL - 1 APRIL

	Note	2017/18 DKK	2016/17 DKK
GROSS PROFIT		31.408.416	37.300.872
Staff costs.....	1	-21.356.987	-22.689.655
Depreciation, amortisation and impairment.....		-3.503.418	-2.499.102
OPERATING PROFIT		6.548.011	12.112.115
Result of equity investments in group and associates.....	2	9.570.116	9.958.728
Other financial income.....		15.469	101.554
Other financial expenses.....		-21.321	-82.231
PROFIT BEFORE TAX		16.112.275	22.090.166
Tax on profit/loss for the year.....	3	-1.446.119	-2.719.899
PROFIT FOR THE YEAR	4	14.666.156	19.370.267

BALANCE SHEET AT 1 APRIL

ASSETS	Note	2018 DKK	2017 DKK
Land and buildings.....		22.741.778	23.480.394
Production plant and machinery.....		20.191.972	22.309.053
Other plant, machinery, tools and equipment.....		1.758.897	1.678.261
Tangible fixed assets.....	5	44.692.647	47.467.708
Equity investments in group enterprises.....		25.873.620	24.483.046
Equity investments in associated enterprises.....		22.879.083	26.029.536
Fixed asset investments.....	6	48.752.703	50.512.582
FIXED ASSETS.....		93.445.350	97.980.290
Raw materials and consumables.....		9.291.398	10.031.520
Work in progress.....		14.733.568	13.134.582
Finished goods and goods for resale.....		22.765.221	24.448.972
Inventories.....		46.790.187	47.615.074
Trade receivables.....		8.118.563	9.960.650
Receivables from group enterprises.....		2.329.330	3.382.789
Other receivables.....		557.724	780.553
Prepayments and accrued income.....	7	556.543	403.832
Receivables.....		11.562.160	14.527.824
Cash and cash equivalents.....		23.920.954	42.557.513
CURRENT ASSETS.....		82.273.301	104.700.411
ASSETS.....		175.718.651	202.680.701

BALANCE SHEET AT 1 APRIL

EQUITY AND LIABILITIES	Note	2018 DKK	2017 DKK
Share capital.....	8	5.000.000	5.000.000
Reserve for revaluation.....		263.569	278.998
Reserve for net revaluation according to equity value method..		48.637.654	50.397.534
Retained earnings.....		78.021.570	78.151.415
Proposed dividend.....		16.000.000	30.000.000
EQUITY.....		147.922.793	163.827.947
Provision for deferred tax.....	9	5.987.286	5.559.402
PROVISION FOR LIABILITIES.....		5.987.286	5.559.402
Short-term portion of long-term liabilities.....	10	0	850.272
Trade payables.....		6.907.384	12.897.145
Payables to associated enterprises.....		10.876.603	12.356.955
Corporation tax.....		246.406	910.982
Other liabilities.....		3.778.179	6.277.998
Current liabilities.....		21.808.572	33.293.352
LIABILITIES.....		21.808.572	33.293.352
EQUITY AND LIABILITIES.....		175.718.651	202.680.701
Charges and securities	11		
Related parties	12		
Consolidated financial statements	13		

EQUITY

	Share capital	Reserve for revaluation	Reserve for net revaluation according to equity value method	Retained earnings	Proposed dividend	Total
Equity at 2 April 2017.....	5.000.000	278.998	50.397.534	78.151.415	30.000.000	163.827.947
Dividend paid.....					-30.000.000	-30.000.000
Foreign exchange adjustments.....			-586.097			-586.097
Reclassification from deferred tax.....				14.787		14.787
Transfers to/from other items.....		-15.429		15.429		
Proposed distribution of profit.....			-1.173.783	-160.061	16.000.000	14.666.156
Equity at 1 April 2018.....	5.000.000	263.569	48.637.654	78.021.570	16.000.000	147.922.793

NOTES

	2017/18 DKK	2016/17 DKK	Note
Staff costs			1
Average number of employees 41 (2016/17: 42)			
Wages and salaries.....	18.971.529	20.488.557	
Pensions.....	2.076.500	1.866.224	
Social security costs.....	308.958	334.874	
	21.356.987	22.689.655	
 Result after tax of equity investments in group enterprises and associates			 2
Result of equity investments in group enterprises.....	8.720.569	9.295.232	
Result of equity investments in associated enterprises.....	849.547	663.496	
	9.570.116	9.958.728	
 Tax on profit/loss for the year			 3
Calculated tax on taxable income of the year.....	1.022.406	1.532.982	
Adjustment of tax for previous years.....	0	-840	
Adjustment of deferred tax.....	423.713	1.187.757	
	1.446.119	2.719.899	
 Proposed distribution of profit			 4
Proposed dividend for the year.....	16.000.000	30.000.000	
Allocation to reserve for net revaluation according to equity value method.....	-1.173.783	3.053.241	
Retained earnings.....	-160.061	-13.682.974	
	14.666.156	19.370.267	

NOTES

				Note
Tangible fixed assets				5
	Land and buildings	Production plants and machinery	Other plants, machinery, tools and equipment	
Cost at 2 April 2017.....	39.785.700	60.073.937	6.218.140	
Additions.....	77.100	280.452	859.055	
Disposals.....	0	-2.541.283	-651.530	
Cost at 1 April 2018.....	39.862.800	57.813.106	6.425.665	
Revaluation at 2 April 2017.....	989.005	0	0	
Revaluation at 1 April 2018.....	989.005	0	0	
Depreciation and impairment losses at 2 April 2017.....	17.294.311	37.764.884	4.539.879	
Reversal of depreciation of assets disposed of..	0	-2.538.873	-412.973	
Depreciation for the year.....	815.716	2.395.123	539.862	
Depreciation and impairment losses at 1 April 2018.....	18.110.027	37.621.134	4.666.768	
Carrying amount at 1 April 2018.....	22.741.778	20.191.972	1.758.897	
Value of recognised assets, excluding revaluation under § 41 (1).....	22.403.868			
Fixed asset investments				6
		Equity investments in group enterprises	Equity investments in associated enterprises	
Cost at 2 April 2017.....		38.048	77.000	
Cost at 1 April 2018.....		38.048	77.000	
Revaluation at 2 April 2017.....		24.444.998	25.952.536	
Exchange adjustment.....		-525.515	0	
Dividend.....		-6.804.480	-4.000.000	
Profit/loss for the year.....		8.816.790	849.547	
Other adjustments.....		-96.221	0	
Revaluation at 1 April 2018.....		25.835.572	22.802.083	
Carrying amount at 1 April 2018.....		25.873.620	22.879.083	
Investments in subsidiaries (DKK)				
Name and registered office	Equity	Profit/loss for the year	Ownership	
Danfloor UK Ltd., Bristol, UK.....	25.873.620	8.816.790	100 %	

NOTES

Note

Investments in associates (DKK)

Name and registered office	Equity	Profit for the year	Ownership
Foamtex ApS, Ikast	68.637.247	2.548.640	33 %

Prepayments and accrued income

Costs		2018 DKK	2017 DKK	7
		556.543	403.832	
		556.543	403.832	

Accruals recognised as assets include costs incurred relating to the subsequent financial year.

		2018 DKK	2017 DKK	8
Share capital				
Specification of the share capital:				
A-shares, 5.000 in the denomination of 1.000 DKK		5.000.000	5.000.000	
		5.000.000	5.000.000	

Provision for deferred tax

Provision for deferred tax comprises deferred tax on tangible fixed assets and prepayments and accrued income.

		2017/18 DKK	2016/17 DKK	9
Provision for deferred tax comprises:				
Tangible fixed assets		5.864.847	5.470.559	
Prepayments and accrued income		122.439	88.843	
		5.987.286	5.559.402	
Balance, beginning of year		5.559.402	5.559.402	
Deferred tax of the year, income statement		423.713	0	
Deferred tax of the year, equity		4.171	0	
Deferred tax of the year, income statement		5.987.286	5.559.402	

NOTES

					Note
Long-term liabilities					10
	2/4 2017	1/4 2018	Repayment	Debt outstanding	
	total liabilities	total liabilities	next year	after 5 years	
Mortgage debt.....	850.272	0	0	0	
	850.272	0	0	0	
 Charges and securities					 11
None					
 Related parties					 12
Controlling interest					
Ulster Carpet Mills (Holdings) Limited, Portadown, Northern Ireland.					
Other related parties having performed transactions with the company					
The company's related parties having a significant influence comprise subsidiaries and associates as well as the companies' Board of Directors, Board of Executives and executive officers and their relatives. Related parties include also companies in which the above mentioned group of persons has material interests.					
Transactions with related parties					
The company did not carry out any substantial transactions that were not concluded on market conditions.					
 Consolidated financial statements					 13
The company is included in the consolidated financial statements of Ulster Carpet Mills (Holdings) Limited, Portadown, Northern Ireland.					

ACCOUNTING POLICIES

The annual report of Danfloor A/S for 2017/18 has been presented in accordance with the provisions of the Danish Financial Statements Act for enterprises in reporting class C, medium-size enterprise.

The Annual Report is prepared consistently with the accounting principles used last year.

Consolidated financial statements

Consolidated financial statements have not been prepared because the group fulfils the exemption provisions of section 112 of the Danish Financial Statements Act on sub-groups. The company is included in the consolidated financial statements of Ulster Carpet Mills (Holdings) Limited, Portadown, Northern Ireland.

INCOME STATEMENT

Net revenue

Net revenue from sale of merchandise and finished goods is recognised in the income statement if supply and risk transfer to purchaser has taken place before the end of the year and if the income can be measured reliably and is expected to be received. Net revenue is recognised exclusive of VAT, duties and less discounts related to the sale.

Cost of sales

Cost of sales comprise costs incurred to achieve the net revenue for the year, including direct and indirect costs of raw materials and consumables.

Other external expenses

Other external expenses include cost of sales, advertising, administration, buildings, bad debts, operational lease expenses, etc.

Staff costs

Staff costs comprise wages and salaries, including holiday pay and pensions and other costs for social security etc. for the company's employees. Repayments from public authorities are deducted from staff costs.

Investments in subsidiaries and associates

The income statement of the parent company recognises the proportional share of the results of each subsidiary after full elimination of intercompany profits/losses and deduction of amortisation of goodwill.

The proportional share of the results of each associate after proportional elimination of intercompany profits/losses and deduction of amortisation of goodwill is recognised in the income statement of the owner company.

Financial income and expenses in general

Financial income and expenses include interest income and expenses, financial expenses of finance leases, realised and unrealised gains and losses arising from investments in financial assets, debt and transactions in foreign currencies, amortisation of financial assets and liabilities as well as charges and allowances under the tax-on-account scheme etc. Financial income and expenses are recognised in the income statement by the amounts that relate to the financial year.

Tax on profit for the year

The tax for the year, which consists of the current tax for the year and changes in deferred tax, is recognised in the income statement by the portion that may be attributed to the profit for the year, and is recognised directly in the equity by the portion that may be attributed to entries directly to the equity.

ACCOUNTING POLICIES

BALANCE SHEET

Tangible fixed assets

Land and buildings, production plant and machinery, other plant, fixtures and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

The depreciation base is cost less estimated residual value after end of useful life.

The cost includes the acquisition price and costs incurred directly in connection with the acquisition until the time when the asset is ready to be used.

Straight-line depreciation is provided on the basis of an assessment of the expected useful lives of the assets and their residual value:

	Useful life	Residual value
Buildings.....	50 years	0 %
Production plant and machinery.....	2-15 years	0 %
Other plant, machinery, tools and equipment.....	2-5 years	0 %

Profit or loss on disposal of tangible fixed assets is stated as the difference between the sales price less selling costs and the carrying amount at the time of sale. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

Fixed asset investments

Investments in subsidiaries and associates are measured in the company's balance sheet under the equity method.

Investments in subsidiaries and associates are measured in the balance sheet at the proportional share of the enterprises' carrying equity value, calculated in accordance with the parent company's accounting policies with deduction or addition of unrealised intercompany profits or losses and with addition or deduction of the residual value of positive or negative goodwill

Net revaluation of investments in subsidiaries and associates is transferred under the equity to reserve for net revaluation under the equity value method to the extent that the carrying amount exceeds the acquisition value.

Subsidiaries and associates with a negative carrying equity value are measured to DKK 0 and any amounts due from these enterprises are written down by the company's share of the negative equity to the extent that it is deemed to be irrecoverable. If the carrying negative equity value exceeds receivables, the residual amount is recognised under provision for liabilities to the extent that the company's has a legal or actual liability to cover the subsidiary's and associates' deficit.

Impairment of fixed assets

The carrying amount of tangible assets are valued on an annual basis for indications of impairment other than that reflected by amortisation and depreciation.

In the event of impairment indications, an impairment test is made for each asset or group of assets, respectively. If the net realisable value is lower than the carrying amount, the assets are written down to the lower value.

The recoverable amount is calculated at the higher of net selling price and capital value. The capital value is determined as the fair value of the expected net cash flows from the use of the asset or group of assets and the expected net cash flows from sale of the asset or group of assets after the end of its useful life.

ACCOUNTING POLICIES

Inventories

Inventories are measured at cost using the FIFO-principle. If the net realisable value is lower than cost, the inventories are written down to the lower value.

The cost of merchandise as well as raw materials and consumables is calculated at acquisition price with addition of transportation and similar costs.

The cost of finished goods and work in progress includes cost of raw materials, consumables, direct payroll cost and indirect production cost. Indirect production costs include indirect materials and payroll and maintenance and depreciation of the machines, factory buildings and equipment used in the production process, cost of factory administration and management and capitalised development costs relating to the products.

The net realisable value of inventories is stated at sales price less completion costs and costs incurred to execute the sale and is determined with due regard to marketability, obsolescence and development in expected sales price.

Receivables

Receivables are measured at amortised cost which usually corresponds to nominal value. The value is reduced by impairment losses to meet expected losses.

Accruals, assets

Accruals recognised as assets include costs incurred relating to the subsequent financial year.

Tax payable and deferred tax

Current tax liabilities and receivable current tax are recognised in the balance sheet as the calculated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and taxes paid on account.

Deferred tax is measured on the temporary differences between the carrying amount and the tax value of assets and liabilities.

Deferred tax assets, including the tax value of tax loss carry-forwards, are measured at the expected realisable value of the asset, either by set-off against 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 under the legislation in force on the balance sheet date will be applicable when the deferred tax is expected to crystallise as current tax. Any changes in the deferred tax resulting from changes in tax rates, are recognised in the income statement, except from items recognised directly in equity.

Liabilities

Financial liabilities are recognised at the time of borrowing by the amount of proceeds received less borrowing costs. In subsequent periods, the financial liabilities are measured at amortised cost equal to the capitalised value when using the effective interest, the difference between the proceeds and the nominal value being recognised in the income statement over the term of loan.

Amortised cost of current liabilities usually corresponds to nominal value.

ACCOUNTING POLICIES

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are recognised under receivables and payables, respectively.

Change in fair value of derivative financial instruments classified as and complying with the criteria for hedging of the fair value of a recognised asset or a recognised liability is recognised in the income statement together with possible changes in the fair value of the hedged asset or the hedged liability.

Change in fair value of derivative financial instruments classified as and complying with the criteria for hedging of future cash flows is recognised under receivables or payables and under equity. If the future transaction results in recognition of assets or liabilities, all amounts recognised under equity are transferred from equity and recognised under the initial cost of the asset or liability, respectively. If the future transaction results in income or expenses amounts recognised under equity are transferred to the Income Statement for the period where the Income Statement was affected by the hedged amount.

As regards possible derivative financial instruments, which do not comply with the criteria for classification as hedging instruments, any changes in fair value are recognised on a current basis in the Income Statement.

Foreign currency translation

Transactions in foreign currencies are translated at the rate of exchange on the transaction date. Exchange differences arising between the rate on the transaction date and the rate on the payment date are recognised in the income statement as a financial income or expense.

If the foreign exchange position is considered to hedge future cash flows, the unrealised exchange adjustments are recognised directly in the equity.

Receivables, payables and other monetary items in foreign currencies that are not settled on the balance sheet date are translated at the exchange rate on the balance sheet date. The difference between the exchange rate on the balance sheet date and the exchange rate at the time of occurrence of the receivables or payables is recognised in the income statement as financial income or expenses.

Fixed assets acquired in foreign currencies are translated at the rate of exchange on the transaction date.

On recognition of foreign subsidiaries that are not independent entities, but integrated entities, monetary items are translated at the exchange rate on the balance sheet date. Non-monetary items are translated at the rate at the time of acquisition or at the time of subsequent revaluation or writedown of the asset. The items of the income statement are translated at the rate on the transaction date, items derived from non-monetary items being translated at the historic rates of the non-monetary item.

The income statements of foreign subsidiaries and associates fulfilling the criteria for being independent entities are translated at an average exchange rate for the month and balance sheet items are translated at the rate of exchange on the balance sheet date. Exchange differences arising from translation of the equity of foreign subsidiaries at the beginning of the year to the rates of the balance sheet date and from translation of income statements from average rate to the rates of the balance sheet date are recognised directly in the equity.

Exchange adjustment of intercompany accounts with foreign subsidiaries that are deemed to be an addition to or deduction from the equity of independent subsidiaries are recognised directly in the equity.

ACCOUNTING POLICIES

CASH FLOW STATEMENT

With reference to Section 86(4) of the Danish Financial Statements Act, the company has not prepared a cash flow statement.