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Birk Centerpark 30  
DK-7400 Herning  
CVR no. 20 22 26 70

**DANFLOOR A/S**

**ØSTERBRO 9, 6933 KIBÆK**

**ANNUAL REPORT**

**2 APRIL 2020 - 1 APRIL 2021**

**The Annual Report has been presented and  
adopted at the Company's Annual General  
Meeting on 30 August 2021**

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**Nicholas David George Coburn**

**CVR NO. 44 83 13 17**

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**COMPANY DETAILS**

<b>Company</b>	Danfloor A/S Østerbro 9 6933 Kibæk  CVR No.: 44 83 13 17 Established: 9 May 1973 Registered Office: Kibæk Financial Year: 2 April 2020 - 1 April 2021
<b>Board of Directors</b>	Nicholas David George Coburn, chairman Jeremy Edward Brice Jesper Krøjgaard Jensen Ian Charles Dexter
<b>Executive Board</b>	Jesper Krøjgaard Jensen
<b>Auditor</b>	BDO Statsautoriseret revisionsaktieselskab Birk Centerpark 30 7400 Herning
<b>Bank</b>	Nordea
<b>Law Firm</b>	Dahl advokatfirma Lundborgvej 18 8800 Viborg

## BOARD OF DIRECTORS STATEMENT AND MANAGEMENT'S STATEMENT

Today the Board of Directors and Executive Board have discussed and approved the Annual Report of Danfloor A/S for the financial year 2 April 2020 - 1 April 2021.

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 assets, liabilities and financial position at 1 April 2021 and of the results of the Company's operations for the financial year 2 April 2020 - 1 April 2021.

The Management Commentary includes in our opinion a fair presentation of the matters dealt with in the Commentary.

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

Kibæk, 30 August 2021

Executive Board

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Jesper Krøjgaard Jensen

Board of Directors

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Nicholas David George Coburn  
Chairman

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Jeremy Edward Brice

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Jesper Krøjgaard Jensen

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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 2020 - 1 April 2021, 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 2021 and of the results of the Company's operations for the financial year 2 April 2020 - 1 April 2021 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 evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

#### 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 misstatement, whether due to fraud or error.

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

#### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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, 30 August 2021

BDO Statsautoriseret revisionsaktieselskab  
CVR no. 20 22 26 70

Steen Pedersen  
State Authorised Public Accountant  
MNE no. mne23302

**FINANCIAL HIGHLIGHTS**

	2020/21 DKK '000	2019/20 DKK '000	2018/19 DKK '000	2017/18 DKK '000	2016/17 DKK '000
<b>Income statement</b>					
Gross profit/loss.....	30.178	30.986	29.115	31.991	37.301
Operating profit/loss of main activities...	5.389	5.532	4.485	6.548	12.112
Financial income and expenses, net.....	-8	14	28	-6	19
Profit/loss for the year before tax.....	14.106	13.894	15.364	16.112	22.090
Profit/loss for the year.....	12.921	12.658	14.359	14.666	19.370
<b>Balance sheet</b>					
Total assets.....	173.019	169.547	164.077	175.719	202.681
Equity.....	145.650	142.744	138.954	147.923	163.828
Investment in property, plant and equipment.....	540	905	1.342	1.217	18.487
<b>Key ratios</b>					
Return on invested capital.....	5,7	5,8	4,7	6,1	10,5
Equity ratio.....	84,2	84,2	84,7	84,2	80,8
Return on equity.....	9,0	9,0	10,0	9,4	12,2

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

<i>Invested capital:</i>	<i>NWC + intangible and tangible assets (ex goodwill) - provisions - other operating liabilities, non-current</i>
<i>Return on invested capital:</i>	<i><math>\frac{\text{Operating Profit/loss adjusted for goodwill amortisation} \times 100}{\text{Average invested capital}}</math></i>
<i>Equity ratio:</i>	<i><math>\frac{\text{Equity, at year-end} \times 100}{\text{Total assets, at year-end}}</math></i>
<i>Return on equity:</i>	<i><math>\frac{\text{Profit/loss after tax} \times 100}{\text{Average equity}}</math></i>

## MANAGEMENT COMMENTARY

### 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 and economic position

During the financial year, the company has operated under very difficult market conditions. The Covid19 has affected the activity in some of the segments that the company operate.

There have been a lot of projects that has been postponed during the period and this has impacted the company activity level in part of the year.

But during the year there has been a positive sign in other segments and particular in the residential market the company has achieved an increased activity and taken market shares.

Taken this into consideration and at the same time a year with Covid19 issues the result of operations for the financial year is satisfactory.

### Profit/loss for the year compared to the expected development

Profit after tax for the year ended 1 April 2021 amounts to DKK ('000) 12,921 which is DKK ('000) 263 more than in 2019/20. The results after tax for the year were on the expected level, due to the current market situation.

### Significant events after the end of the financial year

The outbreak of Covid19 presents still challenges and risks for the company. A number of measures have been taken to ensure the health of employees. In connections with the health risks, the outbreak of virus has meant uncertainty and instability both politically/ socially and for the company.

Current and any future political and economic measures that may be implemented could post financial risks related to the company's operations and possibly limit the company's trading opportunities.

The vaccination program in Europe is a key factor in connection to the possibilities for increased activity for the company.

### 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 management is expecting a result for 2021/22 on same level as in 2020/21.

The Covid19 is always an unpredictable factor that can have a negative impact on the trading possibilities. As mentioned above the dissemination of the vaccine is an important key to achieve an increased activity.



**INCOME STATEMENT 2 APRIL - 1 APRIL**

	Note	2020/21 DKK	2019/20 DKK
<b>GROSS PROFIT</b> .....	1	<b>30.178.375</b>	<b>30.986.151</b>
Staff costs.....	2	-21.489.537	-21.849.254
Depreciation, amortisation and impairment.....		-3.292.653	-3.605.271
Other operating expenses.....		-7.208	0
<b>OPERATING PROFIT</b> .....		<b>5.388.977</b>	<b>5.531.626</b>
Result of equity investments in group and associates.....	3	8.725.366	8.348.993
Other financial income.....	4	3.470	22.423
Other financial expenses.....		-11.568	-8.735
<b>PROFIT BEFORE TAX</b> .....		<b>14.106.245</b>	<b>13.894.307</b>
Tax on profit/loss for the year.....	5	-1.185.395	-1.236.631
<b>PROFIT FOR THE YEAR</b> .....	6	<b>12.920.850</b>	<b>12.657.676</b>

## BALANCE SHEET AT 1 APRIL

ASSETS	Note	2021 DKK	2020 DKK
Land and buildings.....		20.418.103	21.192.660
Production plants and machinery.....		15.003.589	17.024.327
Other plants, machinery, tools and equipment.....		938.358	1.291.668
<b>Property, plant and equipment.....</b>	<b>7</b>	<b>36.360.050</b>	<b>39.508.655</b>
Equity investments in group enterprises.....		39.726.443	29.200.175
Equity investments in associated enterprises.....		24.300.351	24.666.204
<b>Financial non-current assets.....</b>	<b>8</b>	<b>64.026.794</b>	<b>53.866.379</b>
<b>NON-CURRENT ASSETS.....</b>		<b>100.386.844</b>	<b>93.375.034</b>
Raw materials and consumables.....		11.179.484	10.542.853
Work in progress.....		11.337.089	12.711.765
Finished goods and goods for resale.....		22.869.593	25.173.170
<b>Inventories.....</b>		<b>45.386.166</b>	<b>48.427.788</b>
Trade receivables.....		5.322.150	5.531.010
Receivables from group enterprises.....		7.773.127	8.281.120
Other receivables.....		742.734	760.096
Prepayments and accrued income.....	9	274.652	286.118
<b>Receivables.....</b>		<b>14.112.663</b>	<b>14.858.344</b>
<b>Cash and cash equivalents.....</b>		<b>13.132.841</b>	<b>12.885.811</b>
<b>CURRENT ASSETS.....</b>		<b>72.631.670</b>	<b>76.171.943</b>
<b>ASSETS.....</b>		<b>173.018.514</b>	<b>169.546.977</b>

**BALANCE SHEET AT 1 APRIL**

<b>EQUITY AND LIABILITIES</b>	<b>Note</b>	<b>2021 DKK</b>	<b>2020 DKK</b>
Share capital.....	10	5.000.000	5.000.000
Reserve for revaluation.....		217.284	232.712
Reserve for net revaluation according to equity value method..		63.911.744	53.751.329
Retained earnings.....		72.520.578	79.759.666
Proposed dividend.....		4.000.000	4.000.000
<b>EQUITY.....</b>		<b>145.649.606</b>	<b>142.743.707</b>
Provision for deferred tax.....	11	5.956.583	6.102.606
<b>PROVISIONS.....</b>		<b>5.956.583</b>	<b>6.102.606</b>
Corporation tax.....		1.044.418	1.237.456
Other liabilities.....		2.751.766	510.016
<b>Non-current liabilities.....</b>	12	<b>3.796.184</b>	<b>1.747.472</b>
Trade payables.....		7.436.365	7.771.732
Payables to associated enterprises.....		7.572.527	8.016.664
Other liabilities.....		2.607.249	3.164.796
<b>Current liabilities.....</b>		<b>17.616.141</b>	<b>18.953.192</b>
<b>LIABILITIES.....</b>		<b>21.412.325</b>	<b>20.700.664</b>
<b>EQUITY AND LIABILITIES.....</b>		<b>173.018.514</b>	<b>169.546.977</b>
<b>Related parties</b>	13		
<b>Consolidated Financial Statements</b>	14		

## EQUITY

	Share capital	Reserve for revaluation	Reserve for net revaluation according to equity value method	Retained earnings	Proposed dividend	Total
Equity at 2 April 2020.....	5.000.000	232.712	53.751.329	79.759.666	4.000.000	142.743.707
Proposed profit allocation see note 6.....			8.725.366	-7.254.516	11.450.000	12.920.850
<b>Transactions with owners</b>						
Dividend paid.....					-4.000.000	-4.000.000
Extraordinary dividend paid.					-7.450.000	-7.450.000
<b>Other legal bindings</b>						
Foreign exchange adjustments.....			1.435.049			1.435.049
<b>Transfers</b>						
Depreciation.....		-15.428		15.428		0
Equity at 1 April 2021.....	5.000.000	217.284	63.911.744	72.520.578	4.000.000	145.649.606

## NOTES

			Note
<b>Special items</b>			<b>1</b>
The total Covid-19 compensation for the financial year 2020/21 amounts to DKK ('000) 3,154.			
	2020/21 DKK	2019/20 DKK	
<b>Staff costs</b>			<b>2</b>
Average number of employees	38	40	
Wages and salaries.....	18.543.395	18.938.174	
Pensions.....	2.592.950	2.510.249	
Social security costs.....	353.192	400.831	
	<b>21.489.537</b>	<b>21.849.254</b>	
Information on remuneration of Management is not disclosed, cf. the exemption provision in section 39b(3)(2) of the Danish Financial Statements Act.			
<b>Result of equity investments in group and associates</b>			<b>3</b>
Result of equity investments in group enterprises.....	9.091.219	7.885.367	
Result of equity investments in associated enterprises.....	-365.853	463.626	
	<b>8.725.366</b>	<b>8.348.993</b>	
<b>Other financial income</b>			<b>4</b>
Other interest income.....	3.470	22.423	
	<b>3.470</b>	<b>22.423</b>	
<b>Tax on profit/loss for the year</b>			<b>5</b>
Calculated tax on taxable income of the year.....	1.331.418	1.237.456	
Adjustment of deferred tax.....	-146.023	-825	
	<b>1.185.395</b>	<b>1.236.631</b>	
<b>Proposed distribution of profit</b>			<b>6</b>
Proposed dividend for the year.....	4.000.000	4.000.000	
Extraordinary dividend.....	7.450.000	0	
Allocation to reserve for net revaluation according to equity value method.....	8.725.366	8.348.993	
Retained earnings.....	-7.254.516	308.683	
	<b>12.920.850</b>	<b>12.657.676</b>	

## NOTES

				Note
<b>Property, plant and equipment</b>				<b>7</b>
	Land and buildings	Production plants and machinery	Other plants, machinery, tools and equipment	
Cost at 2 April 2020.....	39.950.140	58.888.361	6.569.665	
Additions.....	43.598	133.390	363.500	
Disposals.....	0	0	-1.477.823	
<b>Cost at 1 April 2021.....</b>	<b>39.993.738</b>	<b>59.021.751</b>	<b>5.455.342</b>	
Revaluation at 2 April 2020.....	989.005	0	0	
<b>Revaluation at 1 April 2021.....</b>	<b>989.005</b>	<b>0</b>	<b>0</b>	
Depreciation and impairment losses at 2 April 2020.....	19.746.485	41.864.032	5.277.997	
Reversal of depreciation of assets disposed of..	0	0	-1.081.383	
Depreciation for the year.....	818.155	2.154.130	320.370	
<b>Depreciation and impairment losses at 1 April 2021.....</b>	<b>20.564.640</b>	<b>44.018.162</b>	<b>4.516.984</b>	
<b>Carrying amount at 1 April 2021.....</b>	<b>20.418.103</b>	<b>15.003.589</b>	<b>938.358</b>	
Value of recognised assets, excluding revaluation under § 41 (1).....	20.139.533			
<b>Financial non-current assets</b>				<b>8</b>
		Equity investments in group enterprises	Equity investments in associated enterprises	
Cost at 2 April 2020.....		38.048	77.000	
<b>Cost at 1 April 2021.....</b>		<b>38.048</b>	<b>77.000</b>	
Revaluation at 2 April 2020.....		29.162.127	24.589.204	
Exchange adjustment.....		1.435.049	0	
Profit/loss for the year.....		9.022.655	-365.853	
Other adjustments.....		68.564	0	
<b>Revaluation at 1 April 2021.....</b>		<b>39.688.395</b>	<b>24.223.351</b>	
<b>Carrying amount at 1 April 2021.....</b>		<b>39.726.443</b>	<b>24.300.351</b>	
<b>Investments in subsidiaries (DKK)</b>				
Name and domicil	Equity	Profit/loss for the year	Ownership	
Danfloor UK Ltd., Bristol, UK.....	39.726.443	9.022.655	100 %	

## NOTES

				Note
<b>Fixed asset investments (continued)</b>				<b>8</b>
<b>Investments in associates (DKK)</b>				
Name and domicil	Equity	Profit for the year	Ownership	
Foamtex ApS, Ikast .....	72.901.049	-1.097.560	33 %	
		2021 DKK	2020 DKK	
<b>Prepayments and accrued income</b>				<b>9</b>
Costs.....		274.652	286.118	
		<b>274.652</b>	<b>286.118</b>	
Accruals recognised as assets include costs incurred relating to the subsequent financial year.				
<b>Share capital</b>				<b>10</b>
Allocation of share capital:				
A-shares, 5.000 unit in the denomination of 1.000 DKK.....		5.000.000	5.000.000	
		<b>5.000.000</b>	<b>5.000.000</b>	
<b>Provision for deferred tax</b>				<b>11</b>
Provision for deferred tax comprises deferred tax on contract work in progress, inventory and intangible and tangible fixed assets.				
Provision for deferred tax comprises:				
Tangible fixed assets.....		5.896.159	6.039.660	
Prepayments and accrued income.....		60.424	62.946	
		<b>5.956.583</b>	<b>6.102.606</b>	
Deferred tax, beginning of year.....		6.102.606	6.103.431	
Deferred tax of the year, income statement.....		-146.023	-825	
<b>Deferred tax of the year, income statement.....</b>		<b>5.956.583</b>	<b>6.102.606</b>	
<b>Long-term liabilities</b>				<b>12</b>
	1/4 2021 total liabilities	Repayment next year	Debt outstanding after 5 years	1/4 2020 total liabilities
Corporation tax.....	1.044.418	0	0	1.237.456
Other liabilities.....	2.751.766	0	0	510.016
	<b>3.796.184</b>	<b>0</b>	<b>0</b>	<b>1.747.472</b>

**NOTES****Note****Related parties****13**

The Company's related parties include:

**Controlling interest**

Ulster Carpet Mills (Holdings) Limited, Portadown, Northern Ireland.

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 material transactions that were not concluded on market conditions. According to section 98c, subsection 7 of the Danish Financial Statements Act information is given only on transactions that were not performed on common market conditions.

**Consolidated Financial Statements****14**

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 2020/21 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 applied 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.

Where products with a high degree of individual adjustments are delivered, recognition in net revenue is made as and when the production progresses, the net revenue being equal to the sales value of the work performed for the year (the production method). This method is applied when the total costs and expenses regarding the contract and the degree of completion at the balance sheet date can be reliably assessed, and it is likely that the financial benefits will flow to the company.

Net revenue is recognised exclusive of VAT and less duties and discounts related to the sale.

### Other operating income

Other operating income includes items of a secondary nature in relation to the Group's and the Company's activities, including profit from sale of intangible and tangible fixed assets. In addition, profit from sale of intangible and tangible fixed assets as well as business interruption and conflict compensations are included. Compensations are recognised when the income is deemed to be realisable.

### Other operating expenses

Other operating expenses include items of a secondary nature in relation to the enterprises' principal activities, including loss from sale of intangible and tangible fixed assets.

### 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.

**ACCOUNTING POLICIES**

**Income from equity interests 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.

In connection with transfers, potential profits are recognised when the economic rights related to the sold equity interests are transferred, however, at the earliest when the profit has been realised or is regarded as realisable. Moreover, realised losses other than impairments are included where identified.

**Financial income and expenses**

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**

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.

**BALANCE SHEET**

**Tangible fixed assets**

Land and buildings, production plant and machinery, other plants, 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 plants and machinery.....	2-15 years	0 %
Other plants, 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

## ACCOUNTING POLICIES

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.

### **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.

## ACCOUNTING POLICIES

### 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.

### 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.

## ACCOUNTING POLICIES

### 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.

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.

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.

Exchange rate differences recognised in Equity are accumulated in a fair value reserve for currency translation of foreign entities and are transferred to the Income Statement when object of the currency translation is realised or ends. An exception is exchange rate differences arising from translation of Equity interests, which are recognised at Equity value, where the whole value adjustment, including exchange rate differences, are included in the reserve for net valuation according to the Equity value method.

## CASH FLOW STATEMENT

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