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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 2019 - 1 APRIL 2020**

**The Annual Report has been presented and  
adopted at the Company's Annual General  
Meeting on 30 November 2020**

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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 2019 - 1 April 2020
<b>Board of Directors</b>	Nicholas David George Coburn, chairman Jeremy Edward Brice Jesper Krøjgaard Jensen Ian Charles Dexter
<b>Board of Executives</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

## 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 2019 - 1 April 2020.*

*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 2020 and of the results of the Company's operations for the financial year 2 April 2019 - 1 April 2020.*

*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, 17 August 2020

Board of Executives

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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 2019 - 1 April 2020, 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 2020 and of the results of the Company's operations for the financial year 2 April 2019 - 1 April 2020 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.*

## INDEPENDENT AUDITOR'S REPORT

- *Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.*
- *Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.*
- *Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.*

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

### **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, 17 August 2020

BDO Statsautoriseret revisionsaktieselskab  
CVR no. 20 22 26 70

Steen Pedersen  
State Authorised Public Accountant  
MNE no. mne23302

## FINANCIAL HIGHLIGHTS

	2019/20 DKK '000	2018/19 DKK '000	2017/18 DKK '000	2016/17 DKK '000	2015/16 DKK '000
<b>Income statement</b>					
Gross profit/loss.....	30.986	29.115	31.991	37.301	39.980
Operating profit/loss.....	5.532	4.485	6.548	12.112	15.779
Financial income and expenses, net.....	14	28	-6	19	-9
Profit/loss for the year before tax.....	13.894	15.364	16.112	22.090	26.762
Profit/loss for the year.....	12.658	14.359	14.666	19.370	23.426
<b>Balance sheet</b>					
Balance sheet total.....	169.547	164.077	175.719	202.681	182.403
Equity.....	142.744	138.954	147.923	163.828	152.423
Invested capital.....	96.727	94.543	94.527	120.636	110.514
<b>Ratios</b>					
Rate of return.....	5,8	4,7	6,1	10,5	15,4
Liquidity ratio.....	401,9	377,8	0,0	0,0	0,0
Solvency ratio.....	84,2	84,7	84,2	80,8	83,6

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:

*Intangible fixed assets (ex goodwill) + tangible assets + inventories + receivables + other working current assets - trade payables - other provisions - other long and short term working liabilities*

Liquidity ratio:

$$\frac{\text{Current assets} \times 100}{\text{Current liabilities}}$$

Solvency ratio:

$$\frac{\text{Equity ex. minorities, at year end} \times 100}{\text{Total equity and liabilities, at year end}}$$

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**

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 2020 amounts to DKK ('000) 12,658 which is DKK ('000) 1,701 less than in 2018/19. 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 Covid-19 presents new 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.

### **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 2020/21 to be less than the current year. A positive result for 2020/21 is still expected.

Covid-19 has a significant impact on the volume on both the domestic and the export markets, including as a result of the recommendations given in relation to gathering. In view of the great uncertainty Covid-19 has created and the uncertainty about the duration of the situation. It is currently not possible to make a reasonable assessment of the financial consequences of the Covid-19. On the same basis, it is not possible to express a sufficiently secure expectation of the revenue and profit before tax.



**INCOME STATEMENT 2 APRIL - 1 APRIL**

	Note	2019/20 DKK	2018/19 DKK
<b>GROSS PROFIT</b> .....		<b>30.986.151</b>	<b>29.114.765</b>
Staff costs.....	1	-21.849.254	-20.898.316
Depreciation, amortisation and impairment.....		-3.605.271	-3.731.938
<b>OPERATING PROFIT</b> .....		<b>5.531.626</b>	<b>4.484.511</b>
Result of equity investments in group and associates.....	2	8.348.993	10.851.493
Other financial income.....		22.423	28.464
Other financial expenses.....		-8.735	0
<b>PROFIT BEFORE TAX</b> .....		<b>13.894.307</b>	<b>15.364.468</b>
Tax on profit/loss for the year.....	3	-1.236.631	-1.005.209
<b>PROFIT FOR THE YEAR</b> .....	4	<b>12.657.676</b>	<b>14.359.259</b>

**BALANCE SHEET AT 1 APRIL**

<b>ASSETS</b>	<b>Note</b>	<b>2020 DKK</b>	<b>2019 DKK</b>
Land and buildings.....		21.192.660	22.011.001
Production plants and machinery.....		17.024.327	18.522.008
Other plants, machinery, tools and equipment.....		1.291.668	1.675.594
<b>Tangible fixed assets.....</b>	<b>5</b>	<b>39.508.655</b>	<b>42.208.603</b>
Equity investments in group enterprises.....		29.200.175	26.490.695
Equity investments in associated enterprises.....		24.666.204	24.202.578
<b>Fixed asset investments.....</b>	<b>6</b>	<b>53.866.379</b>	<b>50.693.273</b>
<b>FIXED ASSETS.....</b>		<b>93.375.034</b>	<b>92.901.876</b>
Raw materials and consumables.....		10.542.853	9.397.981
Work in progress.....		12.711.765	12.261.203
Finished goods and goods for resale.....		25.173.170	25.753.423
<b>Inventories.....</b>		<b>48.427.788</b>	<b>47.412.607</b>
Trade receivables.....		5.531.010	7.096.738
Receivables from group enterprises.....		8.281.120	1.793.430
Other receivables.....		760.096	125.798
Prepayments and accrued income.....	<b>7</b>	286.118	314.019
<b>Receivables.....</b>		<b>14.858.344</b>	<b>9.329.985</b>
<b>Cash and cash equivalents.....</b>		<b>12.885.811</b>	<b>14.432.168</b>
<b>CURRENT ASSETS.....</b>		<b>76.171.943</b>	<b>71.174.760</b>
<b>ASSETS.....</b>		<b>169.546.977</b>	<b>164.076.636</b>

**BALANCE SHEET AT 1 APRIL**

<b>EQUITY AND LIABILITIES</b>	<b>Note</b>	<b>2020 DKK</b>	<b>2019 DKK</b>
Share capital.....	8	5.000.000	5.000.000
Reserve for revaluation.....		232.712	248.140
Reserve for net revaluation according to equity value method..		53.751.329	50.578.224
Retained earnings.....		79.759.666	75.127.825
Proposed dividend.....		4.000.000	8.000.000
<b>EQUITY.....</b>		<b>142.743.707</b>	<b>138.954.189</b>
Provision for deferred tax.....	9	6.102.606	6.103.431
<b>PROVISION FOR LIABILITIES.....</b>		<b>6.102.606</b>	<b>6.103.431</b>
Corporation tax.....		1.237.456	179.064
Other liabilities.....		510.016	0
<b>Long-term liabilities.....</b>	10	<b>1.747.472</b>	<b>179.064</b>
Trade payables.....		7.771.732	6.325.617
Payables to associated enterprises.....		8.016.664	8.885.763
Other liabilities.....		3.164.796	3.628.572
<b>Current liabilities.....</b>		<b>18.953.192</b>	<b>18.839.952</b>
<b>LIABILITIES.....</b>		<b>20.700.664</b>	<b>19.019.016</b>
<b>EQUITY AND LIABILITIES.....</b>		<b>169.546.977</b>	<b>164.076.636</b>
 <b>Related parties</b>	 11		
<b>Significant events after the end of the financial year</b>	12		
<b>Consolidated financial statements</b>	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 2019.....	5.000.000	248.140	50.578.224	75.127.825	8.000.000	138.954.189
Dividend paid.....					-8.000.000	-8.000.000
Foreign exchange adjustments.....			-868.158			-868.158
Transfers to/from other items.....		-15.428		15.428		
Proposed distribution of profit.....			8.348.993	308.683	4.000.000	12.657.676
Transfer of dividend.....			-4.307.730	4.307.730		
<b>Equity at 1 April 2020.....</b>	<b>5.000.000</b>	<b>232.712</b>	<b>53.751.329</b>	<b>79.759.666</b>	<b>4.000.000</b>	<b>142.743.707</b>

## NOTES

	2019/20 DKK	2018/19 DKK	Note
<b>Staff costs</b>			<b>1</b>
Average number of employees 40 (2018/19: 40)			
Wages and salaries.....	18.938.174	17.921.841	
Pensions.....	2.510.249	2.663.595	
Social security costs.....	400.831	312.880	
	<b>21.849.254</b>	<b>20.898.316</b>	
 <b>Result of equity investments in group and associates</b>			 <b>2</b>
Result of equity investments in group enterprises.....	7.885.367	10.111.423	
Result of equity investments in associated enterprises.....	463.626	740.070	
	<b>8.348.993</b>	<b>10.851.493</b>	
 <b>Tax on profit/loss for the year</b>			 <b>3</b>
Calculated tax on taxable income of the year.....	1.237.456	889.064	
Adjustment of deferred tax.....	-825	116.145	
	<b>1.236.631</b>	<b>1.005.209</b>	
 <b>Proposed distribution of profit</b>			 <b>4</b>
Proposed dividend for the year.....	4.000.000	8.000.000	
Extraordinary dividend.....	0	10.500.000	
Allocation to reserve for net revaluation according to equity value method.....	8.348.993	10.851.493	
Retained earnings.....	308.683	-14.992.234	
	<b>12.657.676</b>	<b>14.359.259</b>	

## NOTES

				Note
<b>Tangible fixed assets</b>				<b>5</b>
	Land and buildings	Production plants and machinery	Other plants, machinery, tools and equipment	
Cost at 2 April 2019.....	39.950.140	58.100.642	6.485.558	
Additions.....	0	787.717	117.606	
Disposals.....	0	0	-33.500	
<b>Cost at 1 April 2020.....</b>	<b>39.950.140</b>	<b>58.888.359</b>	<b>6.569.664</b>	
Revaluation at 2 April 2019.....	989.005	0	0	
<b>Revaluation at 1 April 2020.....</b>	<b>989.005</b>	<b>0</b>	<b>0</b>	
Depreciation and impairment losses at 2 April 2019.....	18.928.144	39.578.635	4.809.963	
Reversal of depreciation of assets disposed of..	0	0	-33.500	
Depreciation for the year.....	818.341	2.285.397	501.533	
<b>Depreciation and impairment losses at 1 April 2020.....</b>	<b>19.746.485</b>	<b>41.864.032</b>	<b>5.277.996</b>	
<b>Carrying amount at 1 April 2020.....</b>	<b>21.192.660</b>	<b>17.024.327</b>	<b>1.291.668</b>	
Value of recognised assets, excluding revaluation under § 41 (1).....	20.893.836			
<b>Fixed asset investments</b>				<b>6</b>
		Equity investments in group enterprises	Equity investments in associated enterprises	
Cost at 2 April 2019.....		38.048	77.000	
<b>Cost at 1 April 2020.....</b>		<b>38.048</b>	<b>77.000</b>	
Revaluation at 2 April 2019.....		26.452.647	24.125.578	
Exchange adjustment.....		-868.158	0	
Dividend.....		-4.307.730	0	
Profit/loss for the year.....		7.984.475	463.626	
Other adjustments.....		-99.107	0	
<b>Revaluation at 1 April 2020.....</b>		<b>29.162.127</b>	<b>24.589.204</b>	
<b>Carrying amount at 1 April 2020.....</b>		<b>29.200.175</b>	<b>24.666.204</b>	
<b>Investments in subsidiaries (DKK)</b>				
Name and registered office	Equity	Profit/loss for the year	Ownership	
Danfloor UK Ltd., Bristol, UK.....	29.200.175	7.984.475	100 %	

## NOTES

				Note
<b>Fixed asset investments (continued)</b>				<b>6</b>
<b>Investments in associates (DKK)</b>				
<b>Name and registered office</b>	<b>Equity</b>	<b>Profit for the year</b>	<b>Ownership</b>	
Foamtex ApS, Ikast.....	73.998.609	1.390.876	33 %	
		<b>2020 DKK</b>	<b>2019 DKK</b>	
<b>Prepayments and accrued income</b>				<b>7</b>
Costs.....		286.118	314.019	
		<b>286.118</b>	<b>314.019</b>	
Accruals recognised as assets include costs incurred relating to the subsequent financial year.				
		<b>2020 DKK</b>	<b>2019 DKK</b>	
<b>Share capital</b>				<b>8</b>
Specification of the share capital:				
A-shares, 5.000 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>9</b>
Provision for deferred tax comprises deferred tax on contract work in progress, inventory and intangible and tangible fixed assets.				
		<b>2020 DKK</b>	<b>2019 DKK</b>	
Provision for deferred tax comprises:				
Tangible fixed assets.....		6.039.660	6.034.347	
Prepayments and accrued income.....		62.946	69.084	
		<b>6.102.606</b>	<b>6.103.431</b>	
Deferred tax, beginning of year.....		6.103.431	5.987.286	
Deferred tax of the year, income statement.....		-825	116.145	
<b>Deferred tax of the year, income statement.....</b>		<b>6.102.606</b>	<b>6.103.431</b>	

## NOTES

						Note
<b>Long-term liabilities</b>						<b>10</b>
	1/4 2020 total liabilities	Repayment next year	Debt outstanding after 5 years	1/4 2019 total liabilities	Current portion at the beginning of the year	
Corporation tax.....	1.237.456	0	0	179.064	0	
Other liabilities.....	510.016	0	0	0	0	
	<b>1.747.472</b>	<b>0</b>	<b>0</b>	<b>179.064</b>	<b>0</b>	
<b>Related parties</b>						<b>11</b>
The Company's related parties include:						
<b>Controlling interest</b>						
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.						
<b>Transactions with related parties</b>						
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.						
<b>Significant events after the end of the financial year</b>						<b>12</b>
The outbreak of Covid-19 presents new 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.						
<b>Consolidated financial statements</b>						<b>13</b>
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 2019/20 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.*

### **Other operating income**

*Other operating income includes items of a secondary nature in relation to the enterprises' principal activities, including profit 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.*

### **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**

*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.*

**ACCOUNTING POLICIES**

**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

**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.*