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DANFLOOR A/S

ØSTERBRO 9, 6933 KIBÆK

ANNUAL REPORT

2 APRIL 2023 - 1 APRIL 2024

**The Annual Report has been presented and
adopted at the Company's Annual General
Meeting on 30 September 2024**

Nicholas David George Coburn

CVR NO. 44 83 13 17

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COMPANY DETAILS

Company	Danfloor A/S Østerbro 9 6933 Kibæk CVR No.: 44 83 13 17 Established: 9 May 1973 Municipality: Herning Financial Year: 2 April 2023 - 1 April 2024
Board of Directors	Nicholas David George Coburn, chairman Jeremy Edward Brice Wilson Jesper Krøjgaard Jensen Ian Charles Dexter
Executive Board	Jesper Krøjgaard Jensen
Auditor	BDO Statsautoriseret revisionsaktieselskab Birk Centerpark 30 7400 Herning
Law Firm	Dahl advokatfirma Lundborgvej 18 8800 Viborg

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 2023 - 1 April 2024.

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 2024 and of the results of the Company's operations for the financial year 2 April 2023 - 1 April 2024.

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, 11 June 2024

Executive Board

Jesper Krøjgaard Jensen

Board of Directors

Nicholas David George Coburn
Chairman

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 2023 - 1 April 2024, 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 2024 and of the results of the Company's operations for the financial year 2 April 2023 - 1 April 2024 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' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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 Commentary

Management is responsible for Management Commentary.

Our opinion on the Financial Statements does not cover Management Commentary, 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 Commentary and, in doing so, consider whether Management Commentary 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 Commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that Management Commentary 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 Commentary.

Herning, 11 June 2024

BDO Statsautoriseret revisionsaktieselskab
CVR no. 20 22 26 70

Jacob Juulgaard
State Authorised Public Accountant
MNE no. mne46610

FINANCIAL HIGHLIGHTS

	2023/24 DKK '000	2022/23 DKK '000	2021/22 DKK '000	2020/21 DKK '000	2019/20 DKK '000
Income statement					
Gross profit/loss.....	33.916	30.410	34.153	30.178	30.986
Operating profit/loss of main activities...	8.517	3.996	6.444	5.389	5.532
Financial income and expenses, net.....	521	142	-38	-8	14
Profit/loss for the year before tax.....	23.369	15.493	15.167	14.106	13.894
Profit/loss for the year.....	21.388	14.579	13.749	12.921	12.658
Balance sheet					
Total assets.....	205.509	189.166	185.145	173.019	169.547
Equity.....	178.476	160.658	155.933	145.650	142.744
Investment in property, plant and equipment.....	1.017	1.712	1.721	530	905
Key ratios					
Return on invested capital.....	8,7	4,1	6,8	4,7	6,1
Equity ratio.....	86,8	84,9	84,2	84,2	84,2
Return on equity.....	12,6	9,2	9,1	9,0	9,0

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>	$\frac{\text{Operating Profit/loss adjusted for goodwill amortisation} \times 100}{\text{Average invested capital}}$
<i>Equity ratio:</i>	$\frac{\text{Equity, at year-end} \times 100}{\text{Total assets, at year-end}}$
<i>Return on equity:</i>	$\frac{\text{Profit/loss after tax} \times 100}{\text{Average equity}}$

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 standard collections and bespoke carpet 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 normal market conditions and with a more stable level compared to previous years and the Covid19 effect, we had from 2020-2022.

It has been a satisfied year on the sales side and we have achieved a higher level of turnover and increased our gross margin on several segments. During the year we have faced decreased activity on the residential segment, but the project and contract market has increased.

The improvement on the Supply Chain side has also given us more strength as we have a broader selection of suppliers to source the material from and the price level has been more stable during the year.

The company strength has always been to operate on different segments and there has been an uptrend in some of our segments and the company has achieved an increased activity in these areas. The company has also been in position to take extra market shares in some of the sales markets.

The result of the operations in the danfloor group has been satisfied for the financial year

Profit/loss for the year compared to the expected development

Profit after tax for the year ended 1 April 2024 amounts to DKK ('000) 21.388 which is DKK ('000) 6.809 more than in 2022/23.

The results after tax for the year was higher than the expected level for the year, due to the improvement in sales and gross margin and at the same time an expense level under control.

Significant events after the end of the financial year

The situation in the global world and the war in Ukraine and Gaza can have a negative effect of the future trading, as the European market is very unpredictable.

In Europe there is a lot of overcapacity in the carpet industry and as the demand for textile flooring has decreased over years, there could be a strong price competition in the future that can harm the business in the retail and contract market.

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.

We have over year`s implemented reuse goals on the environmental part of our business, and we always consider it is our responsibility to minimize the impact on the climate of all processes, from buying in of raw materials and production to the finished carpet when it is fitted for the end user.

We do this by optimizing work processes and production methods. At the same time, we ensure that our flooring solution fulfil consumers and projects requirement and expectations regarding environment.

Both design and production process take place in Denmark. This allows us to control every step in the production process and link all the various environmental control system, thereby ensuring that potential impacts on the environment are kept to a minimum and hereby with the lowest possible level of CO2 emissions.

Research and development activities

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

MANAGEMENT COMMENTARY

Research and development activities (continued)

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

Future expectations

The management is expecting a result for 2024/25 that will be on same level as 2023/24.

INCOME STATEMENT 2 APRIL - 1 APRIL

	Note	2023/24 DKK	2022/23 DKK
GROSS PROFIT		33.915.899	30.409.792
Staff costs.....	1	-22.035.409	-23.057.444
Depreciation, amortisation and impairment.....		-3.295.031	-3.356.522
Other operating expenses.....		-68.190	0
OPERATING PROFIT		8.517.269	3.995.826
Income from investments in subsidiaries and associates.....	2	14.330.209	11.356.153
Other financial income.....	3	522.463	158.756
Other financial expenses.....		-1.032	-17.248
PROFIT BEFORE TAX		23.368.909	15.493.487
Tax on profit/loss for the year.....	4	-1.980.653	-914.141
PROFIT FOR THE YEAR	5	21.388.256	14.579.346

BALANCE SHEET AT 1 APRIL

ASSETS	Note	2024 DKK	2023 DKK
Land and buildings.....		18.155.782	18.948.384
Production plants and machinery.....		11.729.314	12.846.142
Other plants, machinery, tools and equipment.....		524.282	893.093
Property, plant and equipment.....	6	30.409.378	32.687.619
Equity investments in group enterprises.....		63.442.449	49.277.182
Equity investments in associated enterprises.....		21.997.144	23.009.151
Financial non-current assets.....	7	85.439.593	72.286.333
NON-CURRENT ASSETS.....		115.848.971	104.973.952
Raw materials and consumables.....		9.826.304	12.508.573
Work in progress.....		10.600.263	11.954.854
Finished goods and goods for resale.....		29.731.526	31.370.896
Inventories.....		50.158.093	55.834.323
Trade receivables.....		9.904.348	7.861.000
Receivables from group enterprises.....		4.767.283	3.063.448
Other receivables.....		484.540	535.736
Receivables corporation tax.....		0	789
Prepayments and accrued income.....	8	726.736	684.282
Receivables.....		15.882.907	12.145.255
Cash and cash equivalents.....		23.618.828	16.212.784
CURRENT ASSETS.....		89.659.828	84.192.362
ASSETS.....		205.508.799	189.166.314

BALANCE SHEET AT 1 APRIL

EQUITY AND LIABILITIES	Note	2024 DKK	2023 DKK
Share Capital.....	9	5.000.000	5.000.000
Reserve for revaluation.....		171.000	186.428
Reserve for net revaluation according to equity value method..		85.324.544	72.171.285
Retained earnings.....		77.980.393	78.299.917
Proposed dividend.....		10.000.000	5.000.000
EQUITY.....		178.475.937	160.657.630
Provision for deferred tax.....	10	5.298.785	5.595.968
PROVISIONS.....		5.298.785	5.595.968
Corporation tax.....		1.932.836	829.974
Non-current liabilities.....	11	1.932.836	829.974
Trade payables.....		6.833.523	8.051.446
Payables to associated enterprises.....		5.880.413	7.628.060
Other liabilities.....		7.087.305	6.403.236
Current liabilities.....		19.801.241	22.082.742
LIABILITIES.....		21.734.077	22.912.716
EQUITY AND LIABILITIES.....		205.508.799	189.166.314
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EQUITY

	Share Capital	Reserve for revaluation	Reserve for net revaluation according to equity value method	Retained earnings	Proposed dividend	Total
Equity at 2 April 2023.....	5.000.000	186.428	72.171.284	78.299.918	5.000.000	160.657.630
Proposed profit allocation see note 5.....			14.330.209	-2.941.953	10.000.000	21.388.256
Transactions with owners						
Dividend paid.....					-5.000.000	-5.000.000
Other legal bindings						
Foreign exchange adjustments.....			1.430.051			1.430.051
Transfers						
Receiv./decl. dividend.....			-2.607.000	2.607.000		0
Allowed equalization.....		-15.428		15.428		0
Equity at 1 April 2024.....	5.000.000	171.000	85.324.544	77.980.393	10.000.000	178.475.937

NOTES

	2023/24 DKK	2022/23 DKK	Note
Staff costs			1
Average number of full time employees	34	37	
Wages and salaries.....	18.130.327	19.083.889	
Pensions.....	3.601.123	3.559.096	
Social security costs.....	303.959	414.459	
	22.035.409	23.057.444	
Information on remuneration of Management is not disclosed, cf. the exemption provision in section 98b(3)(2) of the Danish Financial Statements Act.			
Income from investments in subsidiaries and associates			2
Income from investments in subsidiaries.....	15.342.216	12.228.180	
Result of equity investments in associated enterprises.....	-1.012.007	-872.027	
	14.330.209	11.356.153	
Other financial income			3
Other interest income.....	522.463	158.756	
	522.463	158.756	
Tax on profit/loss for the year			4
Calculated tax on taxable income of the year.....	2.277.836	1.117.974	
Adjustment of tax for previous years.....	0	757	
Adjustment of deferred tax.....	-297.183	-204.590	
	1.980.653	914.141	
Proposed distribution of profit			5
Proposed dividend for the year.....	10.000.000	5.000.000	
Allocation to reserve for net revaluation according to equity value method.....	14.330.209	11.356.153	
Retained earnings.....	-2.941.953	-1.776.807	
	21.388.256	14.579.346	

NOTES

				Note
Property, plant and equipment				6
	Land and buildings	Production plants and machinery	Other plants, machinery, tools and equipment	
Cost at 2 April 2023.....	40.108.738	59.515.805	5.605.538	
Transferred.....	0	0	33.507	
Additions.....	0	1.016.788	0	
Disposals.....	0	-706.368	-318.857	
Cost at 1 April 2024.....	40.108.738	59.826.225	5.320.188	
Revaluation at 2 April 2023.....	989.005	0	0	
Revaluation at 1 April 2024.....	989.005	0	0	
Depreciation and impairment losses at 2 April 2023.....	22.149.359	46.669.663	4.712.445	
Transferred.....	0	0	33.507	
Reversal of depreciation of assets disposed of..	0	-706.368	-318.857	
Depreciation for the year.....	792.602	2.133.616	368.811	
Depreciation and impairment losses at 1 April 2024.....	22.941.961	48.096.911	4.795.906	
Carrying amount at 1 April 2024.....	18.155.782	11.729.314	524.282	
Value of recognised assets, excluding revaluation under § 41 (1).....	17.984.782			
Financial non-current assets				7
		Equity investments in group enterprises	Equity investments in associated enterprises	
Cost at 2 April 2023.....		38.048	77.000	
Cost at 1 April 2024.....		38.048	77.000	
Revaluation at 2 April 2023.....		49.239.135	22.932.151	
Exchange adjustment.....		1.431.791	0	
Dividend.....		-2.608.740	0	
Profit/loss for the year.....		15.372.795	-1.012.007	
Other adjustments.....		-30.580	0	
Revaluation at 1 April 2024.....		63.404.401	21.920.144	
Carrying amount at 1 April 2024.....		63.442.449	21.997.144	
Investments in subsidiaries (DKK)				
Name and domicil	Equity	Profit/loss for the year	Ownership	
Danfloor UK Ltd., Bristol, UK.....	64.105.412	15.372.795	100 %	

NOTES

				Note
Fixed asset investments (continued)				7
Investments in associates (DKK)				
Name and domicil	Equity	Profit for the year	Ownership	
Foamtex ApS, Ikast	65.991.431	-3.036.020	33 %	
Prepayments and accrued income				8
Costs		726.736	684.282	
		726.736	684.282	
Accruals recognised as assets include costs incurred relating to the subsequent financial year.				
Share Capital				9
Allocation of share capital:				
A-shares, 5.000 unit in the denomination of 1.000 DKK		5.000.000	5.000.000	
		5.000.000	5.000.000	
Provision for deferred tax				10
Provision for deferred tax comprises deferred tax on tangible fixed assets and prepayments and accrued income.				
Provsion for deferred tax comprises:				
Tangible Fixed assets		5.138.903	5.445.426	
Prepayments and accrued income		159.882	150.542	
		5.298.785	5.595.968	
Deferred tax, beginning of year		5.595.968	5.800.558	
Deferred tax of the year, income statement		-297.183	-204.590	
Deferred tax of the year, income statement		5.298.785	5.595.968	
Long-term liabilities				11
	1/4 2024 total liabilities	Repayment next year	Debt outstanding after 5 years	1/4 2023 total liabilities
Corporation tax	1.932.836	0	0	829.974
	1.932.836	0	0	829.974

NOTES**Note****Related parties****12**

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**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 2023/24 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 has been prepared according to the same accounting practices as last year, except for the following changes:

Change in accounting policies and classification

In the annual report for 2022/23, income from salary reimbursements was offset against staff costs, which was not in accordance with the gross principle in the Annual Accounts Act. Salary reimbursements were to be included in the accounting item "Other operating income".

The changed presentation has been incorporated into the comparative figures in the annual report for 2022/23 and causes the accounting item "Other operating income" in the income statement to be increased by 27 DKK "000" and the accounting item "Staff costs" has been increased by 27 DKK "000". The changed presentation has no impact on results for 2022/23. The equity and balance sheet total for 2022/23 are not affected.

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.

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 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 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

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.

Income from 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.

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.

Financial non-current assets

Investments in subsidiaries and associates are measured in the Parent Company Balance Sheet under the equity method, which is regarded as a method of measuring/consolidation.

ACCOUNTING POLICIES

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 of remaining additional values and goodwill calculated according to the acquisition method. Negative goodwill is recognised in the Income Statement upon acquisition of the Equity interest. Where the negative goodwill is related to takeover of contingent liabilities, the negative goodwill is not recognised before the contingent liabilities are settled or cancelled.

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

Profit and loss at disposal of investments in subsidiaries and associates are determined as the difference between the net selling price and the carrying amount of the disposed investment at the time of sale, including non-depreciated excess values and goodwill. Profit and loss are recognised in the Income Statement under income from investments.

Investments in subsidiaries and associates with negative equity value are measured at DKK 0. Any receivables with these companies are written off, to the extent that the receivable is uncollectible from a specifically assessed indication of impairment. To the extent that the Parent Company has a legal or actual obligation to cover a negative balance which exceeds the receivable, the remainder is recognised under provisions for liabilities.

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.

ACCOUNTING POLICIES

Receivables

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

Write-off is performed to provide for losses when an objective indication has been assessed to have incurred that a receivable or a portfolio of receivables are impaired. If there is an objective indication that an individual receivable is impaired, the write-off is performed at individual level.

Receivables for which there are no objective indication of impairment at individual level are assessed at portfolio level for objective indication of impairment. The portfolios are primarily based on the debtors' registered office and credit rating in accordance with the Company's policy for credit risk management. The objective indicators, which are applied for portfolios, are determined based on the historical loss experiences.

Write-off is determined as the difference between the carrying amount of receivables and the present value of the expected cash flows, including realisable value of any received collaterals. The effective interest rate is used as discount rate for the single receivable or portfolio.

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

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.