

# Four Design ApS

Faaborgvej 14, 5854 Gislev  
CVR no. 63 57 84 28

## Annual report for the financial year 01.07.19 - 30.06.20

Årsrapporten er godkendt på den  
ordinære generalforsamling, d. 20.11.20

Stephen Alan Thomas  
Dirigent

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**The company**

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Four Design ApS  
Faaborgvej 14  
5854 Gislev  
Tel.: 62 29 11 32  
Registered office: Gislev  
CVR no.: 63 57 84 28  
Financial year: 01.07 - 30.06  
40. financial year

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**Executive Board**

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Stephen Alan Thomas

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**Auditors**

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Beierholm  
Statsautoriseret Revisionspartnerselskab

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**Bank**

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Danske Bank

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**Parent company**

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OCEE International Limited, England

## **Statement by the Executive Board on the annual report**

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I have on this day presented the annual report for the financial year 01.07.19 - 30.06.20 for Four Design ApS.

The annual report is presented in accordance with Danish Financial Statements Act (Årsregnskabsloven).

In my opinion, the financial statements give a true and fair view of the company's assets, liabilities and financial position as at 30.06.20 and of the results of the company's activities and cash flows for the financial year 01.07.19 - 30.06.20.

I believe that the management's review includes a fair review of the matters dealt with in the management's review.

The annual report is submitted for adoption by the general meeting.

Gislev, November 20, 2020

### **Executive Board**

Stephen Alan Thomas

**To the Shareholder of Four Design ApS****Opinion**

We have audited the financial statements of Four Design ApS for the financial year 01.07.19 - 30.06.20, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial statements are prepared in accordance with Danish Financial Statements Act (Årsregnskabsloven).

In our opinion the financial statements give a true and fair view of the company's assets, liabilities and financial position at 30.06.20 and of the results of the company's operations and cash flows for the financial year 01.07.19 - 30.06.20 in accordance with the Danish Financial Statements Act (Årsregnskabsloven).

**Basis for conclusion**

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

**Statement regarding the 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 Acts. We did not identify any material misstatement of management's review.

### **Management's responsibility for the financial statements**

The Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act. Furthermore the Management is responsible for the internal control as the 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 International Standards on Auditing 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 International Standards on Auditing 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.
- 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.

Odense, November 20, 2020

**Beierholm**

Statsautoriseret Revisionspartnerselskab  
CVR no. 32 89 54 68

Henrik Welinder

State Authorized Public Accountant  
MNE-no. mne23366

**FINANCIAL HIGHLIGHTS****Key figures**

Figures in DKK '000	2019/20	2018/19	2017/18	2016/17	2015/16
<i>Profit/loss</i>					
Profit before depreciation, amortisation, write-downs and impairment losses	9.434	20.759	17.491	20.683	11.587
Operating profit	6.891	18.586	15.666	18.611	10.018
Total net financials	-2.448	296	423	-45	-165
Profit for the year	3.466	14.725	12.539	14.458	7.668
<i>Balance</i>					
Total assets	62.525	76.036	67.448	53.034	52.199
Investments in property, plant and equipment	6.157	3.095	1.232	2.279	680
Equity	25.528	49.662	41.707	29.168	28.710

**Ratios**

	2019/20	2018/19	2017/18	2016/17	2015/16
<i>Profitability</i>					
Return on equity	9%	32%	35%	50%	29%
<i>Equity ratio</i>					
Equity interest	41%	65%	62%	55%	55%

*Ratios definitions*

Return on equity:	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$
Equity interest:	$\frac{\text{Equity, end of year} \times 100}{\text{Total assets}}$



### **Primary activities**

The company's activities comprise is production, development and sale of furniture.

### **Development in activities and financial affairs**

The income statement for the period 01.07.19 - 30.06.20 shows a profit/loss of DKK 3,466,194 against DKK 14,725,447 for the period 01.07.18 - 30.06.19. The balance sheet shows equity of DKK 25,528,466.

### **Outlook**

The company expects a decline in profit before tax due to the pandemic.

### **Subsequent events**

No important events have occurred after the end of the financial year.

## Income statement

Note		2019/20 DKK	2018/19 DKK
	<b>Gross profit</b>	<b>44.739.813</b>	<b>57.417.049</b>
1	Staff costs	-35.305.425	-36.658.070
	<b>Profit before depreciation, amortisation, write-downs and impairment losses</b>	<b>9.434.388</b>	<b>20.758.979</b>
	Depreciation and impairments losses of property, plant and equipment	-2.542.929	-2.172.999
	<b>Profit before net financials</b>	<b>6.891.459</b>	<b>18.585.980</b>
2	Financial income	0	658.759
3	Financial expenses	-2.447.648	-362.264
	<b>Profit before tax</b>	<b>4.443.811</b>	<b>18.882.475</b>
4	Tax on profit or loss for the year	-977.617	-4.157.028
	<b>Profit for the year</b>	<b>3.466.194</b>	<b>14.725.447</b>
5	Distribution of net profit		

<b>ASSETS</b>		30.06.20	30.06.19
		DKK	DKK
Note			
	Land and buildings	6.405.969	6.305.572
	Leasehold improvements	504.244	583.863
	Plant and machinery	2.703.471	3.709.178
	Other fixtures and fittings, tools and equipment	5.922.120	1.323.124
<b>6</b>	<b>Total property, plant and equipment</b>	<b>15.535.804</b>	<b>11.921.737</b>
<b>7</b>	<b>Deposits</b>	<b>405.804</b>	<b>334.940</b>
	<b>Total investments</b>	<b>405.804</b>	<b>334.940</b>
	<b>Total non-current assets</b>	<b>15.941.608</b>	<b>12.256.677</b>
	Raw materials and consumables	9.889.575	10.567.524
	Manufactured goods and goods for resale	1.120.468	1.004.395
	<b>Total inventories</b>	<b>11.010.043</b>	<b>11.571.919</b>
	Trade receivables	20.657.645	24.797.982
	Receivables from group enterprises	3.966.418	21.564.446
	Other receivables	2.247.253	1.789.483
<b>8</b>	<b>Prepayments</b>	<b>203.672</b>	<b>574.513</b>
	<b>Total receivables</b>	<b>27.074.988</b>	<b>48.726.424</b>
	<b>Cash</b>	<b>8.498.115</b>	<b>3.480.788</b>
	<b>Total current assets</b>	<b>46.583.146</b>	<b>63.779.131</b>
	<b>Total assets</b>	<b>62.524.754</b>	<b>76.035.808</b>

<b>EQUITY AND LIABILITIES</b>		30.06.20	30.06.19
Note		DKK	DKK
	Share capital	594.869	1.125.000
	Retained earnings	24.933.597	32.937.271
	Proposed dividend for the financial year	0	15.600.000
	<b>Total equity</b>	<b>25.528.466</b>	<b>49.662.271</b>
9	Provisions for deferred tax	636.434	537.739
	<b>Total provisions</b>	<b>636.434</b>	<b>537.739</b>
10	Lease commitments	3.000.000	0
10	Income taxes	878.922	4.218.940
10	Other payables	2.743.361	0
	<b>Total long-term payables</b>	<b>6.622.283</b>	<b>4.218.940</b>
	Payables to other credit institutions	4.295.462	0
	Trade payables	11.779.520	12.719.870
	Payables to group enterprises	1.912.884	0
	Other payables	9.229.183	8.896.988
11	Deferred income	2.520.522	0
	<b>Total short-term payables</b>	<b>29.737.571</b>	<b>21.616.858</b>
	<b>Total payables</b>	<b>36.359.854</b>	<b>25.835.798</b>
	<b>Total equity and liabilities</b>	<b>62.524.754</b>	<b>76.035.808</b>
12	Contingent liabilities		
13	Charges and security		
14	Related parties		

## Statement of changes in equity

Figures in DKK	Share capital	Retained earnings	Proposed dividend for the financial year
Statement of changes in equity for 01.07.18 - 30.06.19			
Balance as at 01.07.18	1.125.000	33.811.824	12.500.000
Dividend paid	0	0	-12.500.000
Net profit/loss for the year	0	-874.553	15.600.000
Balance as at 30.06.19	1.125.000	32.937.271	15.600.000
Statement of changes in equity for 01.07.19 - 30.06.20			
Balance as at 01.07.19	1.125.000	32.937.272	15.600.000
Net effect of mergers and acquisition of enterprises	-530.131	530.131	0
Adjusted balance as at 01.07.19	594.869	33.467.403	15.600.000
Extraordinary dividend paid	0	-12.000.000	0
Dividend paid	0	0	-15.600.000
Net profit/loss for the year	0	3.466.194	0
Balance as at 30.06.20	594.869	24.933.597	0

## Cash flow statement

Note	2019/20 DKK	2018/19 DKK
<b>Profit for the year</b>	<b>3.466.194</b>	<b>14.725.447</b>
15 Adjustments	5.968.194	6.033.532
Change in working capital:		
Inventories	561.876	725.261
Receivables	23.564.320	-9.811.657
Trade payables	-940.350	1.192.096
Other payables relating to operating activities	5.596.081	-788.030
<b>Cash flows from operating activities before net financials</b>	<b>38.216.315</b>	<b>12.076.649</b>
Interest income and similar income received	0	658.759
Interest expenses and similar expenses paid	-2.447.648	-362.265
Income tax paid	-4.218.940	-179.821
<b>Cash flows from operating activities</b>	<b>31.549.727</b>	<b>12.193.322</b>
Purchase of property, plant and equipment	-6.156.998	-3.095.000
Sale of property, plant and equipment	0	350.000
Purchase of investments	-70.864	-103.043
<b>Cash flows from investing activities</b>	<b>-6.227.862</b>	<b>-2.848.043</b>
Dividend paid	-27.600.000	-14.000.000
Arrangement of lease commitments	3.000.000	0
<b>Cash flows from financing activities</b>	<b>-24.600.000</b>	<b>-14.000.000</b>
<b>Total cash flows for the year</b>	<b>721.865</b>	<b>-4.654.721</b>
Cash, beginning of year	3.480.788	8.135.509
<b>Cash, end of year</b>	<b>4.202.653</b>	<b>3.480.788</b>
Cash, end of year, comprises:		
Cash	8.498.115	3.480.788
Short-term payables to credit institutions	-4.295.462	0
<b>Total</b>	<b>4.202.653</b>	<b>3.480.788</b>

	2019/20	2018/19
	DKK	DKK
<b>1. Staff costs</b>		
Wages and salaries	31.645.574	33.227.402
Pensions	1.997.050	1.884.090
Other social security costs	723.523	614.668
Other staff costs	939.278	931.910
<b>Total</b>	<b>35.305.425</b>	<b>36.658.070</b>
Average number of employees during the year	62	62

**2. Financial income**

Interest, group enterprises	0	650.424
Other interest income	0	8.335
<b>Total</b>	<b>0</b>	<b>658.759</b>

**3. Financial expenses**

Other interest expenses	403.590	32.693
Foreign currency translation adjustments	2.044.058	329.571
<b>Total</b>	<b>2.447.648</b>	<b>362.264</b>

	2019/20 DKK	2018/19 DKK
<b>4. Tax on profit or loss for the year</b>		
Current tax for the year	878.922	4.218.940
Adjustment of deferred tax for the year	98.695	-61.912
Total	977.617	4.157.028

**5. Distribution of net profit**

Extraordinary dividend for the financial year	12.000.000	0
Proposed dividend for the financial year	0	15.600.000
Retained earnings	-8.533.806	-874.553
Total	3.466.194	14.725.447

**6. Property, plant and equipment**

Figures in DKK	Land and buildings	Leasehold improvements	Plant and machinery	Other fixtures and fittings, tools and equipment
Cost as at 01.07.19	14.274.866	716.558	9.580.330	2.477.694
Additions during the year	752.335	0	72.235	5.332.428
Cost as at 30.06.20	15.027.201	716.558	9.652.565	7.810.122
Depreciation and impairment losses as at 01.07.19	-7.969.294	-132.696	-5.871.152	-1.154.570
Depreciation during the year	-651.938	-79.618	-1.077.942	-733.432
Depreciation and impairment losses as at 30.06.20	-8.621.232	-212.314	-6.949.094	-1.888.002
Carrying amount as at 30.06.20	6.405.969	504.244	2.703.471	5.922.120
Carrying amount of assets held under finance leases as at 30.06.20	0	0	0	5.099.627



**7. Non-current financial assets**

Figures in DKK		Deposits
Cost as at 01.07.19		334.940
Additions during the year		70.864
Cost as at 30.06.20		405.804

**8. Prepayments**

Prepaid rent	0	56.443
Other prepayments	203.672	518.070
Total	203.672	574.513

**9. Deferred tax**

Deferred tax as at 01.07.19	636.434	609.274
Deferred tax recognised in the income statement	0	-71.535
Deferred tax as at 30.06.20	636.434	537.739

**10. Long-term payables**

Figures in DKK	Outstanding debt after 5 years	Total payables at 30.06.20	Total payables at 30.06.19
Lease commitments	0	3.000.000	0
Income taxes	0	878.922	4.218.940
Other payables	0	2.743.361	0
<b>Total</b>	<b>0</b>	<b>6.622.283</b>	<b>4.218.940</b>

**11. Deferred income**

Deferred income	2.520.522	0
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**12. Contingent liabilities***Lease commitments*

The company has concluded lease agreements with terms to maturity of 6-80 months with total lease payments of 5,800 kDKK.

*Recourse guarantee commitments*

The company has provided a guarantee for group enterprises' debt to credit institutions. The guarantee is unlimited.

*Other contingent liabilities*

The company is taxed jointly with the other companies in the group and has joint, several and unlimited liability for income taxes and any obligations to withhold tax at source on interest, royalties and dividends for the jointly taxed companies. The total known tax liability for the jointly taxed companies is TDKK 979 at the balance sheet date, of which TDKK 979 is recognised in the balance sheet. The liability also includes any subsequent corrections to the calculated tax liability as a consequence of changes made to the jointly taxable income etc.

### 13. Charges and security

The company has issued mortgage deeds registered to the mortgagor in the total amount of TDKK 2.700 secured upon land and buildings with a carrying amount of TDKK 6.405. The mortgage deeds registered to the mortgagor comprise a total of TDKK 2.000 provided as security for debt to credit institutions, whereas mortgage deeds registered to the mortgagor in the total amount of TDKK 700 are in the possession of the company.

The company has provided a company charge of TDKK 10.000 as security for debt to credit institutions. As at 30.06.20, the company charge comprises the following assets:

- Goodwill and intellectual property rights
- Other plant, fixtures and fittings, tools and equipment
- Inventories

### 14. Related parties

The company is included in the consolidated financial statements of the parent Four Design Group Limited, Denmark.

	2019/20	2018/19
	DKK	DKK
<hr/>		
<b>15. Adjustments for the cash flow statement</b>		
Depreciation and impairments losses of property, plant and equipment	2.542.929	2.172.999
Financial income	0	-658.759
Financial expenses	2.447.648	362.264
Tax on profit or loss for the year	977.617	4.157.028
<hr/>		
Total	5.968.194	6.033.532
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## 16. Accounting policies

### GENERAL

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act (*Årsregnskabsloven*) for medium-sized enterprises in reporting class C with application of provisions for a higher reporting class.

The accounting policies have been applied consistently with previous years.

### Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including depreciation, amortisation, impairment losses and write-downs, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company, and the value of such assets can be measured reliably. Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company, and the value of such liabilities can be measured reliably. On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

On recognition and measurement, account is taken of foreseeable losses and risks arising before the date at which the annual report is presented and proving or disproving matters arising on or before the balance sheet date.

### CURRENCY

The annual report is presented in Danish kroner (DKK).

On initial recognition, transactions denominated in foreign currencies are translated using the exchange rates applicable at the transaction date. Exchange rate differences between the exchange rate applicable at the transaction date and the exchange rate at the date of payment are recognised in the income statement as a financial item. Receivables, payables and other monetary items denominated in foreign currencies are translated using the exchange rates applicable at the balance sheet date. The difference between the exchange rate applicable at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest annual report is recognised under financial income or expenses in the income statement. Fixed assets, inventories and other non-monetary assets acquired in foreign currencies are translated using historical exchange rates.

**16. Accounting policies** - continued -**LEASES**

Lease payments relating to operating leases are recognised in the income statement on a straight-line basis over the lease term.

Lease payments relating to operating leases are recognised in the income statement on a straight-line basis over the lease term.

**INCOME STATEMENT****Gross profit**

Gross profit comprises revenue, change in inventories of finished goods and work in progress and raw materials and consumables and other external expenses.

**Revenue**

Income from the sale of goods is recognised in the income statement if delivery has taken place and the risk has passed to the buyer before the end of the financial year and where the selling price can be determined reliably and is expected to be paid. Revenue is measured at fair value and is determined exclusive of VAT and other taxes collected on behalf of third parties and less discounts.

**Change in inventories of finished goods and work in progress**

Change in inventories of finished goods and work in progress comprises adjustments in inventories of finished goods and work in progress for the year, including write-downs of inventories of finished goods and work in progress to the extent that these do not exceed normal write-downs.

**Other operating income****Costs of raw materials and consumables**

Costs of raw materials and consumables comprise raw materials and consumables used for the year as well as any changes in inventories, including any inventory wastage.

Write-downs of inventories of raw materials and consumables are also recognised under raw materials and consumables to the extent that these do not exceed normal write-downs.

**16. Accounting policies** - continued -**Other external expenses**

Other external expenses comprise costs relating to distribution, sales and advertising and administration, premises and bad debts to the extent that these do not exceed normal write-downs.

**Staff costs**

Staff costs comprise wages and salaries as well as other staff-related costs.

**Depreciation and impairment losses**

The depreciation of property, plant and equipment aim at systematic depreciation over the expected useful lives of the assets. Assets are depreciated according to the straight-line method based on the following expected useful lives and residual values:

	Useful Residual lives, value, years per cent
Buildings	10-25
Leasehold improvements	9
Plant and machinery	5-10
Other plant, fixtures and fittings, tools and equipment	3-5

Land is not depreciated.

The basis of depreciation is the cost of the asset less the expected residual value at the end of the useful life. Moreover, the basis of depreciation is reduced by any impairment losses. The useful life and residual value are determined when the asset is ready for use and reassessed annually.

Property, plant and equipment are impaired in accordance with the accounting policies referred to in the 'Impairment losses on fixed assets' section.

**Other net financials**

Interest income and interest expenses, foreign exchange gains and losses on transactions denominated in foreign currencies etc. are recognised in other net financials.

Interest income and interest expenses, foreign exchange gains and losses on transactions denominated in foreign currencies etc. are recognised in other net financials.

**16. Accounting policies** - continued -**Tax on profit/loss for the year**

The current and deferred tax for the year is recognised in the income statement as tax on the profit/loss for the year with the portion attributable to the profit/loss for the year, and directly in equity with the portion attributable to amounts recognised directly in equity.

The company is jointly taxed with Danish consolidated enterprises.

In connection with the settlement of joint taxation contributions, the current Danish income tax is allocated between the jointly taxed enterprises in proportion to their taxable incomes. This means that enterprises with a tax loss receive joint taxation contributions from enterprises which have been able to use this loss to reduce their own taxable profit.

**BALANCE SHEET****Property, plant and equipment**

Property, plant and equipment comprise land and buildings, leasehold improvements, plant and machinery as well as other fixtures and fittings, tools and equipment.

Property, plant and equipment are measured in the balance sheet at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and expenses resulting directly from the purchase until the asset is ready for use. Interest on loans arranged to finance production is not included in the cost.

The total cost of an asset is decomposed into separate components that are depreciated separately if the useful lives of the individual components vary.

Property, plant and equipment are depreciated using the straight-line method based on useful lives and residual values, which are stated in the 'Depreciation and impairment losses' section.

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal less any costs of disposal.

**16. Accounting policies** - continued -**Impairment losses on fixed assets**

The carrying amount of fixed assets which are not measured at fair value is assessed annually for indications of impairment over and above what is reflected in depreciation.

If the company's realised return on an asset or a group of assets is lower than expected, this is considered an indication of impairment.

If there are indications of impairment, an impairment test is conducted of individual assets or groups of assets.

The assets or groups of assets are impaired to the lower of recoverable amount and carrying amount.

The higher of net selling price and value in use is used as the recoverable amount. The value in use is determined as the present value of expected net cash flows from the use of the asset or group of assets as well as expected net cash flows from the sale of the asset or group of assets after the expiry of their useful lives.

Impairment losses are reversed when the reasons for the impairment no longer exist.

**Inventories**

Inventories are measured at cost calculated according to the FIFO principle. Inventories are written down to the lower of cost and net realisable value.

The cost of raw materials and consumables as well as goods for resale is determined as purchase prices plus expenses resulting directly from the purchase.

The net realisable value of inventories is determined as the selling price less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and the expected development in the selling price.

**Receivables**

Receivables are measured at amortised cost, which usually corresponds to the nominal value, less write-downs for bad debts.

Write-downs for bad debts are determined based on an individual assessment of each receivable if there is no objective evidence of individual impairment of a receivable.

Deposits recognised under assets comprise deposits paid to the lessor under leases entered



**16. Accounting policies** - continued -

into by the company.

**Prepayments**

Prepayments recognised under assets comprise costs incurred in respect of subsequent financial years.

**Cash**

Cash includes deposits in bank accounts as well as operating cash.

**Equity**

The proposed dividend for the financial year is recognised as a separate item in equity.

**Current and deferred tax**

Current tax payable and receivable is recognised in the balance sheet as tax computed on the basis of the taxable income for the year, adjusted for tax paid on account.

Joint taxation contributions payable and receivable are recognised as income tax under receivables or payables in the balance sheet.

Deferred tax liabilities and tax assets are recognised on the basis of all temporary differences between the carrying amounts and tax bases of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is non-amortisable for tax purposes and other items where temporary differences, except for acquisitions, have arisen at the date of acquisition without affecting the net profit or loss for the year or the taxable income. In cases where the tax value can be determined according to different taxation rules, deferred tax is measured on the basis of management's intended use of the asset or settlement of the liability.

Deferred tax assets are recognised, following an assessment, at the expected realisable value through offsetting against deferred tax liabilities or elimination in tax on future earnings.

Deferred tax is measured on the basis of the tax rules and at the tax rates which, according to the legislation in force at the balance sheet date, will be applicable when the deferred tax is expected to crystallise as current tax.

**16. Accounting policies** - continued -**Payables**

Long-term payables are measured at cost at the time of contracting such liabilities (raising of the loan). The payables are subsequently measured at amortised cost where capital losses and loan expenses are recognised in the income statement as a financial expense over the term of the payable on the basis of the calculated effective interest rate in force at the time of contracting the liability.

Short-term payables are measured at amortised cost, normally corresponding to the nominal value of such payables.

**Deferred income**

Deferred income under liabilities comprises payments received in respect of income in subsequent financial years.

**16. Accounting policies** - continued -**CASH FLOW STATEMENT**

The cash flow statement is prepared using the indirect method, showing cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities comprise the net profit or loss for the year, adjusted for non-cash operating items, income tax paid and changes in working capital.

Cash flows from investing activities comprise payments in connection with the acquisition and divestment of companies and financial assets as well as the purchase, development, improvement and sale of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise changes in the company's share capital and associated costs and financing from and dividends paid to shareholders as well as the arrangement and repayment of long-term payables.

Cash and cash equivalents at the beginning and end of the year comprise cash and short-term payables to credit institutions.