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SPECTRE A/S
ORIONVEJ 1, 7430 IKAST
ANNUAL REPORT
2015
34 TH FINANCIAL YEAR

**The Annual Report has been presented and
adopted at the Company's Annual General
Meeting on 4 May 2016**

Conductor

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COMPANY DETAILS

Company	Spectre A/S Orionvej 1 7430 Ikast CVR no.: 70 87 92 12 Established: 20 November 1982 Registered Office: Ikast Financial Year: 1 January - 31 December
Board of Directors	Thomas Villum Folmann, Chairman Ole René Graversen Jacob Lundhøj Stubkjær Klausen
Board of Executives	Jacob Lundhøj Stubkjær Klausen Jesper Lundhøj Stubkjær Klausen Kenneth Bach Pedersen
Auditor	BDO Statsautoriseret revisionsaktieselskab Birk Centerpark 30 7400 Herning
Bank	Sydbank Dalgasgade 22 7400 Herning

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 Spectre A/S for the year 1 January - 31 December 2015.

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 31 December 2015 and of the results of the company's operations for the financial year 1 January - 31 December 2015.

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

We recommend that the Annual Report be approved at the Annual General meetings.

Ikast, den 4. maj 2016

Board of Executives

Jacob Lundhøj Stubkjær Klausen Jesper Lundhøj Stubkjær Klausen Kenneth Bach Pedersen

Board of Directors

Thomas Villum Folmann Ole René Graversen Jacob Lundhøj Stubkjær Klausen
Chairman

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Spectre A/S

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Spectre A/S for the financial year 1 January to 31 December 2015, which comprise a summary of significant accounting policies, income statement, balance sheet and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We have conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish Audit Legislation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The audit has not resulted in any qualification.

Opinion

In our opinion, the financial statements give a true and fair view of the company's assets, liabilities and financial position at 31 December 2015 and of the results of the company's operations for the financial year 1 January - 31 December 2015 in accordance with the Danish Financial Statements Act.

INDEPENDENT AUDITOR'S REPORT

STATEMENT ON THE MANAGEMENT'S REVIEW

Pursuant to the Danish Financial Statements Act, we have read the management's review. We have not performed any further procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the information provided in the management's review is consistent with the financial statements.

Herning, 4 May 2016

BDO Statsautoriseret revisionsaktieselskab, CVR-nr. 20 22 26 70

Bent Jensen
State Authorised Public Accountant

KEY FIGURES AND RATIOS

	2015 DKK '000	2014 DKK '000	2013 DKK '000	2012 DKK '000	2011 DKK '000
Income statement					
Gross profit.....	27.193	26.050	16.760	19.449	22.570
Operating profit/loss.....	8.482	10.555	2.880	4.879	8.890
Financial income and expenses, net.....	-1.470	-1.580	-2.068	-2.236	-2.228
Profit/loss for the year before tax.....	10.764	13.095	693	1.146	4.699
Profit/loss for the year.....	9.108	10.897	555	653	2.830
Balance sheet					
Balance sheet total.....	93.876	91.964	78.238	72.460	78.581
Equity.....	38.211	30.762	18.543	18.279	17.923
Investment in tangible fixed assets.....	977	1.418	1.512	1.490	433
Ratios					
Solvency ratio.....	40,7	33,5	23,7	25,2	22,8

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

Solvency ratio:

$$\frac{\text{Equity, end of period} \times 100}{\text{Total liabilities, end of period}}$$

In all materiality the ratios comply with the recommendations of the CFA Society Denmark.l Analysts.

MANAGEMENT'S REVIEW

Principal activities

The company's activities are the production and marketing of functional clothing, and limited sewing for other companies. The company produces at its own factories in Latvia and Vietnam.

Development in activities and financial position

The company realised a profit after tax of DKK ('000) 9,108 which is satisfactory and as expected in 2014. However, earnings are a little lower than in 2014 although the level of activities has increased by 12% in 2015.

The reason is the formation of a new wholly-owned subsidiary in Vietnam with acquisition of a factory building, initiation of a large ERP project starting operations on 1 October 2016, and the USD exchange rate development.

In order to comply with the guidelines of the Danish Financial Statements Act, the company's management resolved to recognise the indirect production cost allowance in the share of the inventory that may be related to finished goods. A practice which the Group has not used earlier. This has improved the Group results by almost DKK 1.5 m (before tax).

Significant events after the end of the financial year

No events of material importance for the company's financial position have occurred after the end of the financial year. The first months of the year came out as expected.

Future expectations

We expect an unchanged level of activity for the coming year and the earnings to continue satisfactorily. The coming year is characterised by expansion of the production facilities in Vietnam and the ongoing IT project.

Corporate social responsibility



Spectre's Business Model:

Spectre's business model is illustrated as seven steps. However, the model is a simplified guide to understanding our business and value chain. The seven steps serves as a tool for mapping issues of relevans in our CSR efforts.

MANAGEMENT'S REVIEW

Corporate social responsibility (continued)

1 Environment

We strive to protect the environment in any relevant way.

During 2015 we were preparing to implement the environmental standard; bluesign®. This standard has a strong focus on chemicals in garments, which is a highly relevant area for the earlier steps in the value chain such as fabric and trims manufacturers.

However, Spectre is not utilizing chemicals and our influence on the chosen fabrics and trims is limited in most cases due to the fact the our customers (who are brand owners) nominate the fabric they have carefully selected for certain styles.

Considering the business model and our strategic environmental focus, we decided to merge the relevant bluesign® criterias into the ISO14001 standard and implement this instead. This work has commenced but is not finalized.

The below charts show our chosen measures for environmental issues:

LATVIA

Fig. 1a: Energy consumption in KWh, Latvia

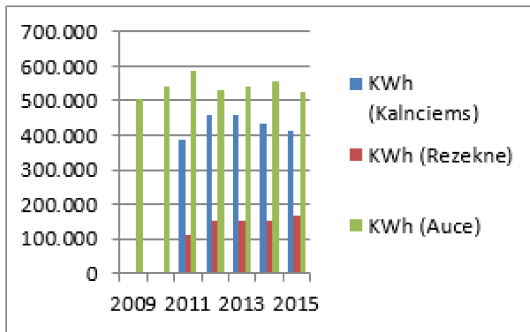


Fig. 1b: Energy costs in EUR, Latvia

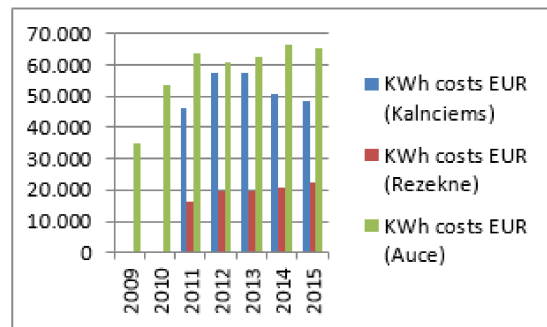


Fig 2a: Pellets consumption in tons, Latvia

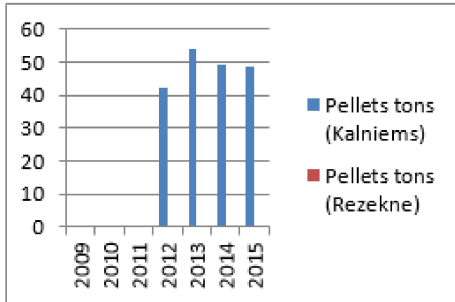
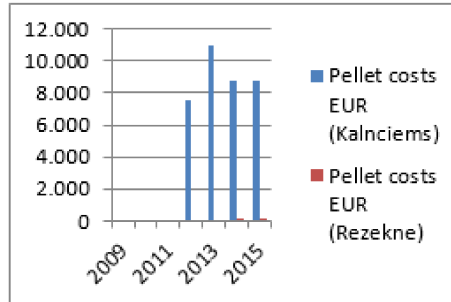


Fig 2b: Pellets costs in EUR, Latvia



MANAGEMENT'S REVIEW

Corporate social responsibility (continued)

Fig 3a: Wood consumption, Latvia

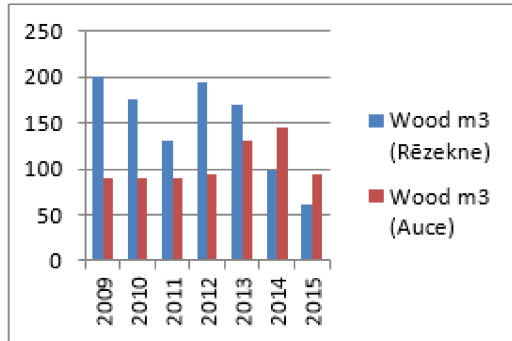


Fig. 3b: Wood costs in EUR, Latvia

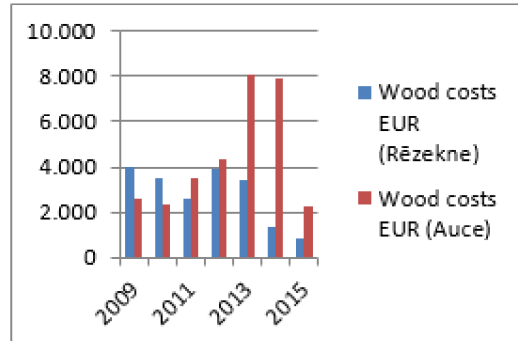


Fig. 4a: Coal consumption in tons, Latvia

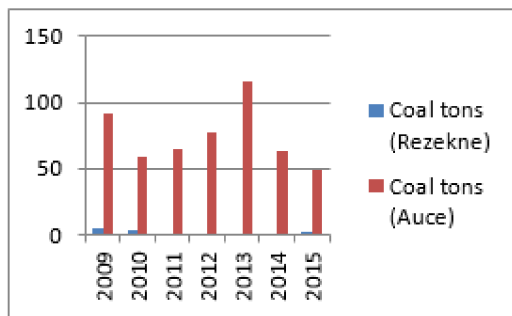
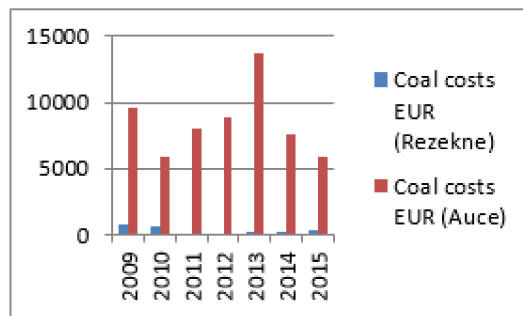


Fig. 4b: Coal costs in EUR, Latvia



VIETNAM

Fig 5.a: Energy consumption in Kwh, Vietnam

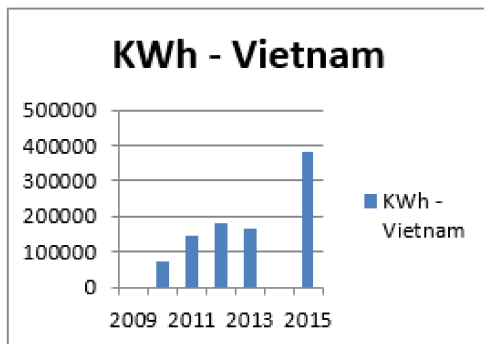
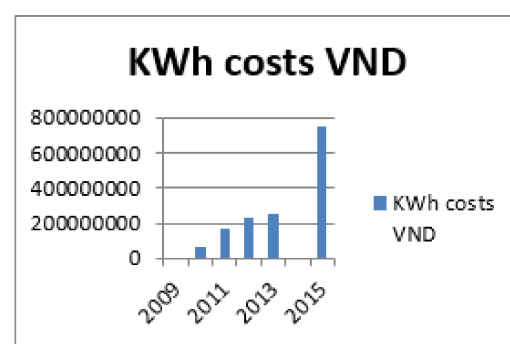


Fig. 5.b: Energy costs in VND



2 People

2.1 Social issues and labour issues

The main risks in the garment industry are related to labour rights and social issues as illustrated in our business model. In 2012 we decided to implement the social standard SA8000. This standard is the highest level in its field and it covers relevant and important areas for our company such as; child labour, forced labour, freedom of association, discrimination, disciplinary practices, working hours and remuneration.

Being SA8000 certified at all our factories we are audited each 6 months by Bureau Veritas to ensure our procedures are continually adequate. The audit reports assist us in identifying areas with need for improvements and results in a number of observations or non-conformances, which must be dealt with within a given time period. It is our goal to have 0 non-conformances overall.

In 2015 we received 6 non-conformances where 2 were identified in Latvia and 4 were identified in Vietnam.

MANAGEMENT'S REVIEW

Corporate social responsibility (continued)

Gender equality:

Our industry is characterized by a large number of female employees. However, we do recruit male seamstresses yet only in Vietnam we have succeeded in employment. In Latvia our male colleagues are mainly employed in other working areas such as cutting department, technical department etc.

Factory name	Employees Total	% Female Employees	% Male Employees	Managers Total	% Female Managers	% Male managers
Spectre Latvia	290	89 %	11 %	18	83 %	17 %
EK Auce						
Spectre Vietnam	201	76 %	24 %	13	85 %	15 %
Spectre DK	21	67 %	33 %	8	25 %	75 %

2.2 Human Rights

In the garment industry there is a risk of not respecting a number of Human Rights. We have during 2015 commenced using the UN Guiding Principles on Business and Human Rights as our framework for working with respecting Human Rights. We have identified 7 Human Rights headings covering 12 individual Human Rights with subheadings.

- 2. Right to non-discrimination,
- 4. Right to enjoy just and favorable conditions of work, including
 - a. Right to equal pay for equal work
 - b. Right to a living wage
 - c. Right to safe and healthy working conditions
 - d. Right to equal opportunities for everyone to be promoted
 - e. Right to rest, leisure and paid holidays
- 5. Right to form and join trade unions and the right to strike
- 7. Right to family life, including
 - a. Right to protection of mothers before and after childbirth
 - b. Right to children’s and young people’s protection from exploitation (no child labour)
- 10. Right to education
- 14. Right not to be subjected to slavery, servitude or forced labour
- 24. Right to freedom of thought, conscience and religion

Having implemented the social standard SA8000 our practical work with preventing Human Rights violations is already in progress. However, we still have a lot of work ahead of us when digging deeper into the Un Guiding Principles. The due diligence process is still novel in our organization and can elaborate more on procedures in some areas. In 2016 we will continue this work.

3 Anti-corruption and bribery

In 2014 we developed an Anti-Corruption policy stressing our zero-tolerance towards bribery and corruption. During 2014 and 2015 we have trained all relevant employees in Denmark, Latvia and Vietnam in our Anti-Corruption policy and related procedures including areas of risk, employee responsibilities and protection of employees raising bribery and/or corruption concerns. We have identified certain activities creating particular risks for our company:

- Plant management

MANAGEMENT'S REVIEW

Corporate social responsibility (continued)

- Import/export of goods including contact to customs authorities
- Supplier contacts/Purchasing duties
- Quality audits
- Social audits
- Financial audits
- Payments of invoices
- Payments and contacts with tax authorities
- Salary payments (only bank transfer)

Resulting from this list 63 employees have been trained in our Anti-Corruption policy and procedures. The training contained the overall definition of corruption and bribery and our gift registration policy. The UK Bribery Act, national legislation and the implications in terms of compliance, risks and sanctions was addressed and finally the employee responsibility and procedure in terms of suspicion about or exposure to corruption or bribery.

We have had 0 cases of bribery and/or corruption. However, we operate in countries with moderate to high risk of corruption and we do not measure our success by the number of cases as much as on the number of employees being trained in our Anti-Corruption policy.

4 Reporting

We aimed at publishing our first CSR report for 2015 which we succeeded in with this report. The purpose of reporting on CSR is twofold. Firstly, we consider CSR as important as our financial milestones and measures. Secondly, we believe that data collection and reporting will shed light over the corners of our company which have not been followed as closely in the past. Once we start measuring we can start relating to the numbers we find. We have only just started this journey but we will continue on that trail for adding more value to our company.

INCOME STATEMENT 1 JANUARY - 31 DECEMBER

	Note	2015 DKK	2014 DKK
GROSS PROFIT		27.192.893	26.049.757
Staff costs.....	1	-17.764.608	-14.553.563
Depreciation, amortisation and impairment.....		-946.414	-940.880
OPERATING PROFIT		8.481.871	10.555.314
Result of equity investments in group enterprises.....		3.752.775	4.119.109
Other financial income.....	2	288.515	950.444
Other financial expenses.....		-1.758.952	-2.530.231
PROFIT BEFORE TAX		10.764.209	13.094.636
Tax on profit/loss for the year.....	3	-1.655.769	-2.197.271
PROFIT FOR THE YEAR	4	9.108.440	10.897.365

BALANCE SHEET AT 31 DECEMBER

ASSETS	Note	2015 DKK	2014 DKK
Development projects in progress and prepayments.....		739.975	0
Intangible fixed assets	5	739.975	0
Production plants and machinery.....		2.089.630	2.224.601
Other plants, machinery, tools and equipment.....		963.288	979.299
Leasehold improvements.....		198.676	349.345
Other investment assets.....		307.816	307.816
Tangible fixed assets	6	3.559.410	3.861.061
Equity investments in group enterprises.....		23.996.724	11.138.942
Rent deposit and other receivables.....		102.635	93.350
Fixed asset investments	7	24.099.359	11.232.292
FIXED ASSETS		28.398.744	15.093.353
Raw materials and consumables.....		21.952.310	26.535.451
Work in progress.....		10.065.333	10.750.924
Finished goods and goods for resale.....		3.170.264	3.043.000
Inventory		35.187.907	40.329.375
Trade receivables.....		20.948.479	18.871.028
Receivables from group enterprises.....		7.331.682	16.252.127
Deferred tax assets.....		0	142.526
Other receivables.....		607.752	603.377
Prepayments and accrued income.....		1.025.550	571.054
Accounts receivable		29.913.463	36.440.112
Other securities and equity investments.....		90.788	91.779
Current investments		90.788	91.779
Cash and cash equivalents		285.306	9.570
CURRENT ASSETS		65.477.464	76.870.836
ASSETS		93.876.208	91.964.189

BALANCE SHEET AT 31 DECEMBER

EQUITY AND LIABILITIES	Note	2015 DKK	2014 DKK
Share capital.....	8	500.000	500.000
Reserve under the equity method.....		4.752.242	1.601.286
Retained profit.....		30.958.622	26.660.709
Proposed dividend.....		2.000.000	2.000.000
EQUITY.....		38.210.864	30.761.995
Provision for deferred tax.....		26.774	0
PROVISION FOR LIABILITIES.....		26.774	0
Bank loan.....		0	1.372.373
Lease liabilities.....		735.376	568.874
Long-term liabilities.....	9	735.376	1.941.247
Short-term portion of long-term liabilities.....	9	1.496.946	1.684.000
Bank debt.....		42.227.395	46.189.103
Payables to companies and prepayments.....		2.658.689	2.578.995
Trade payables.....		6.084.526	6.422.356
Other liabilities.....		2.435.638	2.386.493
Current liabilities.....		54.903.194	59.260.947
LIABILITIES.....		55.638.570	61.202.194
EQUITY AND LIABILITIES.....		93.876.208	91.964.189
 Contingencies etc.	 10		
Charges and securities	11		
Related parties	12		

EQUITY

	Share capital	Reserve under the equity method	Retained profit	Proposed dividend	Total
Equity at 1 January 2015.....	500.000	1.601.286	26.660.709	2.000.000	30.761.995
Dividend paid				-2.000.000	-2.000.000
Foreign exchange adjustments..			266.354		266.354
Value adjustments of equity....			74.075		74.075
Proposed distribution of profit..		3.150.956	3.957.484	2.000.000	9.108.440
Equity at 31 December 2015..	500.000	4.752.242	30.958.622	2.000.000	38.210.864

NOTES

	2015 DKK	2014 DKK	Note
Staff costs			1
Average number of employees 20 (2014: 22)			
Wages and salaries.....	16.474.355	13.447.478	
Pensions.....	904.099	768.854	
Social security costs.....	353.491	287.028	
Other staff costs.....	32.663	50.203	
	17.764.608	14.553.563	
Other financial income			2
Group enterprises.....	286.975	949.884	
Other interest income.....	1.540	560	
	288.515	950.444	
Tax on profit/loss for the year			3
Calculated tax on taxable income of the year.....	1.486.469	2.184.931	
Adjustment of deferred tax.....	169.300	12.340	
	1.655.769	2.197.271	
PROPOSED DISTRIBUTION OF PROFIT			4
Proposed dividend for the year.....	2.000.000	2.000.000	
Allocation to reserve under the equity method.....	3.150.956	1.601.286	
Accumulated profit.....	3.957.484	7.296.079	
	9.108.440	10.897.365	
Intangible fixed assets			5
		Development projects in progress and prepayments	
Addition.....		739.975	
Cost at 31 December 2015.....		739.975	
Carrying amount at 31 December 2015.....		739.975	

NOTES

Note

Tangible fixed assets

6

	Production plants and machinery	Other plants, machinery, tools and equipment
Cost at 1 January 2015.....	15.355.321	2.118.975
Addition.....	586.628	390.355
Disposal.....	-168.952	-368.157
Cost at 31 December 2015.....	15.772.997	2.141.173
Depreciation and write-down at 1 January 2015.....	13.130.720	1.139.676
Depreciation sold assets.....	-90.000	-208.622
Depreciation.....	642.647	246.831
Depreciation and write-down at 31 December 2015.....	13.683.367	1.177.885
Carrying amount at 31 December 2015.....	2.089.630	963.288
	Leasehold improvements	Other investment assets
Cost at 1 January 2015.....	1.601.363	307.816
Cost at 31 December 2015.....	1.601.363	307.816
Depreciation and write-down at 1 January 2015.....	1.252.018	0
Depreciation.....	150.669	0
Depreciation and write-down at 31 December 2015.....	1.402.687	0
Carrying amount at 31 December 2015.....	198.676	307.816

Recognised assets not owned by the company: 963 tkr.

Fixed asset investments

7

	Equity investments in group enterprises	Rent deposit and other receivables
Cost at 1 January 2015.....	9.537.656	93.350
Addition.....	9.706.826	9.285
Cost at 31 December 2015.....	19.244.482	102.635
Revaluation at 1 January 2015.....	1.601.286	
Dividend.....	-868.173	
Revaluation and write-down for the year.....	4.019.129	
Revaluation at 31 December 2015.....	4.752.242	
Carrying amount at 31 December 2015.....	23.996.724	102.635

NOTES

Note

Investments in subsidiaries (DKK)

Company	Equity	Profit for the year	Ownership
EK Auce, Latvia.....	5.472.035	687.102	81 %
Spectre Latvia, Latvia.....	2.506.264	494.977	100 %
Spectre Vietnam, Vietnam.....	13.546.847	5.279.381	55 %
Spectre Garment, Vietnam.....	9.166.263	-202.414	100 %

Share capital

Share capital:

A-shares, 10 stk. a nom. 50.000 kr.....	500.000	500.000
	500.000	500.000

Long-term liabilities

	1/1 2015 total liabilities	31/12 2015 total liabilities	Repayment next year	Debt outstanding after 5 years
Bank loan.....	2.729.373	1.373.025	1.373.025	0
Lease liabilities.....	895.874	859.297	123.921	0
	3.625.247	2.232.322	1.496.946	0

Contingencies etc.

The company has provided security on a credit insurance policy for the parent company's debt to bank.

Spectre A/S has issued a guarantee in relation to Spectre Holding ApS for the company's debt to bank. The guarantee includes all accounts with the bank.

The company has entered into operating rent and lease agreements with an annual lease payment of DKK ('000) 60.

Joint liabilities

The company is jointly and severally liable together with the parent company Spectre Holding A/S for tax on the Group's joint taxable income and for certain withholding taxes such as dividend tax.

Tax payable on the Group's joint taxable income is disclosed in the annual report of Spectre Holding A/S, which is the administration company of the joint taxation arrangement.

10

NOTES

Note

Charges and securities

11

As security for account with bank, the company has issued a business charge of a nominal amount of DKK ('000) 20,000. The business charge includes the following assets which have a carrying amount at the balance sheet date of DKK ('000):

Tangible fixed assets.....	3.252	3.553
Inventory.....	35.188	40.329

Related parties

12

The company's related parties include:

Controlling influence

Jacob Lundhøj Stubkjær Klausen, Ravnsbjerg Krat 17, Gjellerup, 7400 Herning, who is a chief executive.

Jesper Lundhøj Stubkjær Klausen, Else Alfelts Vej 20, 7430 Ikast, who is a chief executive.

Kenneth Bach Pedersen, Strandvejen 25, 7800 Skive, who is a chief executive.

Other related parties having performed transactions with the company

The company's related parties having a significant influence comprise subsidiaries and associates as well as the companies' board of directors, chief 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 perform any material transactions that were not carried out on an arm's length basis.

ACCOUNTING POLICIES

The annual report of Spectre A/S for 2015 has been presented in accordance with the provisions of the Danish Financial Statements Act for enterprises in reporting class C, medium enterprise.

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

Consolidated financial statements

Consolidated financial statements have not been prepared because the group fulfils the exemption provisions of section 112 of the Danish Financial Statements Act on sub-groups. The company is included in the consolidated financial statements of Spectre Holding ApS, Orionvej 1 - 3, CVR number 27 42 77 31.

INCOME STATEMENT

Net revenue

The 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. Net revenues is recognised exclusive of VAT, duties and less discounts related to the sale.

Cost of sales

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

Other external costs

Other external costs include costs relating to distribution, sale, advertising, administration, premises, loss on bad debts, operating lease expenses and similar expenses.

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

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.

Financial income and expenses in general

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

Tax on profit for the year

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

The company is jointly taxed with wholly owned Danish group companies. The current corporation tax is distributed between the jointly taxed companies in proportion to their taxable income, and with full distribution with refund regarding taxable losses. The jointly taxed companies are included in the tax-on-account scheme.

ACCOUNTING POLICIES

BALANCE SHEET

Intangible fixed assets

Development costs comprise costs, including wages and salaries, and amortisation, which directly or indirectly can be related to the company's development activities and which fulfil the criteria for recognition.

Tangible fixed assets

Production plant and machinery, other plants, fixtures and equipment are measured at cost less accumulated depreciation and write-down.

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
Production plant and machinery.....	5-10 år	0 %
Other plants, fixtures and equipment.....	3-8 år	0-30 %
Leasehold improvements.....	3-8 år	0-30 %

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 are measured in the parent company's balance sheet under the equity method.

In connection with purchase of companies the purchase method is applied. Added values in the form of consolidated goodwill are amortised over the estimated financial useful life, which is determined based on management's experience within the individual lines of business. Consolidated goodwill is amortised on a straight-line basis over the amortisation period, which is 5 years.

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

Inventories

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

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 write-down to meet expected losses.

Accruals, assets

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

Securities and investments

Securities and investments, recognised as current assets, comprise public quoted bonds, shares and other current investments that are measured at fair market value on the balance sheet date. Public quoted securities are measured at quoted price. Non-quoted securities are measured at sales value based on computed net present value.

Dividend

The expected payment of dividend for the year is recognised as a separate item under the equity capital.

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 is measured on the basis of the tax rules and tax rates that under the legislation in force on the balance sheet date would 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

Liabilities are measured at amortised cost equal to nominal value.

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.