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# ***Sten & Grus Prøvestenen A/S***

B-Vej 8, DK-2300 København S

## **Annual Report for 1 January - 31 December 2017**

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CVR No 89 64 64 13

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
31/5 2018

Emmanuel Pierre Maes  
Chairman



**pwc**

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# Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Sten & Grus Prøvestenen A/S for the financial year 1 January - 31 December 2017.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2017 of the Company and of the results of the Company operations and cash flows for 2017.

We recommend that the Annual Report be adopted at the Annual General Meeting.

København, 31 May 2018

## Executive Board

Kim Fynbo Nielsen  
Executive Officer

Jette Rohde

## Board of Directors

Emmanuel Pierre Maes  
Chairman

Géry Jacques John De Cloedt  
Deputy Chairman

Jette Rohde

Mike Steen Hansen

Patrick Johan A Degryse

# Independent Auditor's Report

To the Shareholder of Sten & Grus Prøvestenen A/S

## Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2017 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2017 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Sten & Grus Prøvestenen A/S for the financial year 1 January - 31 December 2017, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies ("the Financial Statements").

## Basis for opinion

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

## Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

## 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 misstate-

# Independent Auditor's Report

ment, 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 judgement and maintain professional scepticism 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

# Independent Auditor's Report

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.

Herning, 31 May 2018

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 77 12 31*

Martin Skov Hansen

statsautoriseret revisor

mne33257

## Company Information

### The Company

Sten & Grus Prøvestenen A/S  
B-Vej 8  
DK-2300 København S  
E-mail: info@stenoggrus.dk

CVR No: 89 64 64 13  
Financial period: 1 January - 31 December  
Incorporated: 6 May 1980  
Municipality of reg. office: København

### Board of Directors

Emmanuel Pierre Maes, Chairman  
Géry Jacques John De Cloedt  
Jette Rohde  
Mike Steen Hansen  
Patrick Johan A Degryse

### Executive Board

Kim Fynbo Nielsen  
Jette Rohde

### Auditors

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
Platanvej 4  
DK-7400 Herning

### Lawyers

Mortang Advokater  
Folehavevej 1  
2970 Hørsholm

### Bankers

Jyske Bank  
Østergade 4  
8000 Aarhus C

# Management's Review

## Key activities

The Company receives and handles clean and polluted soil and recyclable building materials. The Company offers a broad product range of aggregates. In addition the Company performs handling activities (loading and unloading of ships and trucks).

## Development in the year

The income statement of the Company for 2017 shows a loss of DKK 1,395,878, and at 31 December 2017 the balance sheet of the Company shows equity of DKK 3,389,248.

## The past year and follow-up on development expectations from last year

The result for the year was negatively affected by increased depreciation due to significant capital expenditures during the year, where the investments have not yet shown their full return in the income statement. This is expected to be the case for the coming year.

## Uncertainty relating to recognition and measurement

Under "Other provisions", in total DKK 4,464k, DKK 4,310k has been recognized for costs relating to soil purification. The provision is to a certain extent accounting estimates based on experience from similar activities in Group Companies abroad. The provision represents the management's best judgment, but is associated with uncertainty. Please refer to note 1 for further description of the matter.



## Income Statement 1 January - 31 December

	Note	2017 DKK	2016 DKK
<b>Gross profit/loss</b>		<b>18.930.015</b>	<b>14.556.788</b>
Staff expenses	2	-13.683.118	-8.593.674
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	-5.205.872	-3.400.749
Other operating expenses		-271.713	0
<b>Profit/loss before financial income and expenses</b>		<b>-230.688</b>	<b>2.562.365</b>
Financial income	4	62.495	72.093
Financial expenses	5	-1.564.818	-913.175
<b>Profit/loss before tax</b>		<b>-1.733.011</b>	<b>1.721.283</b>
Tax on profit/loss for the year	6	337.133	-390.104
<b>Net profit/loss for the year</b>		<b>-1.395.878</b>	<b>1.331.179</b>

## Distribution of profit

### Proposed distribution of profit

Retained earnings		-1.395.878	1.331.179
		<b>-1.395.878</b>	<b>1.331.179</b>

# Balance Sheet 31 December

## Assets

	Note	2017 DKK	2016 DKK
Acquired concessions		739.950	0
<b>Intangible assets</b>	7	<b>739.950</b>	<b>0</b>
Land and buildings		408.219	2.489.567
Plant and machinery		21.142.155	22.670.918
Other fixtures and fittings, tools and equipment		236.483	286.859
Leasehold improvements		26.694.777	7.173.484
<b>Property, plant and equipment</b>	8	<b>48.481.634</b>	<b>32.620.828</b>
<b>Fixed assets</b>		<b>49.221.584</b>	<b>32.620.828</b>
Finished goods and goods for resale		6.795.856	6.208.877
Prepayments for goods		493.308	0
<b>Inventories</b>		<b>7.289.164</b>	<b>6.208.877</b>
Trade receivables		39.436.142	11.867.791
Receivables from group enterprises		1.157.597	706.319
Other receivables		705.563	538.173
Deferred tax asset		1.383.387	1.046.254
Corporation tax		14.706	0
Prepayments		2.017.968	1.510.884
<b>Receivables</b>		<b>44.715.363</b>	<b>15.669.421</b>
<b>Current asset investments</b>	9	<b>0</b>	<b>45.071</b>
<b>Cash at bank and in hand</b>		<b>15.835</b>	<b>2.442</b>
<b>Currents assets</b>		<b>52.020.362</b>	<b>21.925.811</b>
<b>Assets</b>		<b>101.241.946</b>	<b>54.546.639</b>

# Balance Sheet 31 December

## Liabilities and equity

	Note	2017 DKK	2016 DKK
Share capital		600.000	600.000
Retained earnings		2.789.248	4.185.126
<b>Equity</b>		<b>3.389.248</b>	<b>4.785.126</b>
Other provisions	10	4.463.950	544.322
<b>Provisions</b>		<b>4.463.950</b>	<b>544.322</b>
Credit institutions		11.354.500	2.466.500
Lease obligations		7.334.249	12.370.481
Payables to group enterprises		14.772.293	8.497.800
<b>Long-term debt</b>	11	<b>33.461.042</b>	<b>23.334.781</b>
Credit institutions	11	8.930.216	6.543.578
Lease obligations	11	3.194.944	3.238.840
Prepayments received from customers		306.514	545.477
Trade payables		21.710.493	7.147.137
Payables to group enterprises	11	19.088.919	7.445.102
Deposits		30.000	30.000
Other payables		6.666.620	932.276
<b>Short-term debt</b>		<b>59.927.706</b>	<b>25.882.410</b>
<b>Debt</b>		<b>93.388.748</b>	<b>49.217.191</b>
<b>Liabilities and equity</b>		<b>101.241.946</b>	<b>54.546.639</b>
Uncertainty relating to recognition and measurement	1		
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## Statement of Changes in Equity

	<u>Share capital</u> DKK	<u>Retained earnings</u> DKK	<u>Total</u> DKK
Equity at 1 January	600.000	4.185.126	4.785.126
Net profit/loss for the year	0	-1.395.878	-1.395.878
<b>Equity at 31 December</b>	<b>600.000</b>	<b>2.789.248</b>	<b>3.389.248</b>

## Cash Flow Statement 1 January - 31 December

	Note	2017 DKK	2016 DKK
Net profit/loss for the year		-1.395.878	1.331.179
Adjustments	12	6.270.924	4.279.568
Change in working capital	13	-5.344.747	-6.195.723
<b>Cash flows from operating activities before financial income and expenses</b>		<b>-469.701</b>	<b>-584.976</b>
Financial income		62.495	72.093
Financial expenses		-1.564.818	-913.175
<b>Cash flows from ordinary activities</b>		<b>-1.972.024</b>	<b>-1.426.058</b>
Corporation tax paid		-14.706	0
<b>Cash flows from operating activities</b>		<b>-1.986.730</b>	<b>-1.426.058</b>
Purchase of intangible assets		-739.950	0
Purchase of property, plant and equipment		-22.091.076	-18.904.661
Sale of property, plant and equipment		1.124.537	1.260.000
<b>Cash flows from investing activities</b>		<b>-21.706.489</b>	<b>-17.644.661</b>
Reduction of lease obligations		-5.080.129	0
Raising of loans from credit institutions		11.274.638	1.738.632
Lease obligations incurred		0	6.610.079
Raising of loans from group enterprises		17.467.032	10.295.511
<b>Cash flows from financing activities</b>		<b>23.661.541</b>	<b>18.644.222</b>
<b>Change in cash and cash equivalents</b>		<b>-31.678</b>	<b>-426.497</b>
Cash and cash equivalents at 1 January		47.513	474.010
<b>Cash and cash equivalents at 31 December</b>		<b>15.835</b>	<b>47.513</b>
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		15.835	2.442
Current asset investments		0	45.071
<b>Cash and cash equivalents at 31 December</b>		<b>15.835</b>	<b>47.513</b>

# Notes to the Financial Statements

## 1 Uncertainty relating to recognition and measurement

Under "Other provisions", in total DKK 4,464k, DKK 4,310k has been recognized for costs relating to soil purification. The provision is to a certain extent accounting estimates based on experience from similar activities in Group Companies abroad. There is a natural uncertainty associated with the exercise of the accounting estimate, as the costs are based on assessment and estimation of the costs associated with soil purification, which is done partly within the company and partly by external subcontractors. In addition, the composition of the soil and the degree of pollution have a significant impact on the assessment of the provision. The provision represents the management's best judgment, but is associated with uncertainty.

	2017 DKK	2016 DKK
<b>2 Staff expenses</b>		
Wages and salaries	12.029.399	7.582.480
Pensions	992.079	571.163
Other social security expenses	410.078	194.991
Other staff expenses	251.562	245.040
	<b>13.683.118</b>	<b>8.593.674</b>
<b>Average number of employees</b>	<b>20</b>	<b>15</b>
<b>3 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment</b>		
Depreciation of property, plant and equipment	5.205.872	3.400.749
	<b>5.205.872</b>	<b>3.400.749</b>
<b>4 Financial income</b>		
Other financial income	56.019	70.425
Exchange gains	6.476	1.668
	<b>62.495</b>	<b>72.093</b>

## Notes to the Financial Statements

	2017 <u>DKK</u>	2016 <u>DKK</u>
<b>5 Financial expenses</b>		
Interest paid to group enterprises	424.964	131.481
Other financial expenses	<u>1.139.854</u>	<u>781.694</u>
	<b><u>1.564.818</u></b>	<b><u>913.175</u></b>
<b>6 Tax on profit/loss for the year</b>		
Current tax for the year	0	0
Deferred tax for the year	<u>-337.133</u>	<u>390.104</u>
	<b><u>-337.133</u></b>	<b><u>390.104</u></b>
<b>7 Intangible assets</b>		Acquired con- cessions <u>DKK</u>
Cost at 1 January		0
Additions for the year		681.210
Transfers for the year		<u>58.740</u>
Cost at 31 December		<u>739.950</u>
Impairment losses and amortisation at 1 January		<u>0</u>
Impairment losses and amortisation at 31 December		<u>0</u>
<b>Carrying amount at 31 December</b>		<b><u>739.950</u></b>

# Notes to the Financial Statements

## 8 Property, plant and equipment

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements	Total
	DKK	DKK	DKK	DKK	DKK
Cost at 1 January	4.769.343	35.829.731	391.807	12.515.091	53.505.972
Additions for the year	0	3.795.566	0	18.354.252	22.149.818
Disposals for the year	0	-2.243.333	0	0	-2.243.333
Transfers for the year	-1.928.504	0	0	1.869.764	-58.740
Cost at 31 December	2.840.839	37.381.964	391.807	32.739.107	73.353.717
Impairment losses and depreciation at 1 January	2.279.776	13.158.813	104.949	5.341.607	20.885.145
Depreciation for the year	152.844	4.299.930	50.375	702.723	5.205.872
Reversal of impairment and depreciation of sold assets	0	-1.218.934	0	0	-1.218.934
Impairment losses and depreciation at 31 December	2.432.620	16.239.809	155.324	6.044.330	24.872.083
<b>Carrying amount at 31 December</b>	<b>408.219</b>	<b>21.142.155</b>	<b>236.483</b>	<b>26.694.777</b>	<b>48.481.634</b>
Depreciated over	20 years	2-15 years	7-8 years	5-10 years	
Including assets under finance leases amounting to	0	14.081.784	0	0	14.081.784

## 9 Current asset investments

	2017 DKK	2016 DKK
Shares	0	33.670
Bonds	0	11.401
	<b>0</b>	<b>45.071</b>



## Notes to the Financial Statements

	<u>2017</u>	<u>2016</u>
	DKK	DKK
<b>10 Other provisions</b>		
<p>The purpose of the company is to receive and dispose soil and waste from the industrial sector. The provision represent the cost, that is necessary to bear, to cleanse, sort and dispose received soil and waste at the balance sheet date. The provision falls due continuously, as a part of the company's daily operations.</p>		
Other provisions	4.463.950	544.322
	<u><b>4.463.950</b></u>	<u><b>544.322</b></u>
<b>11 Long-term debt</b>		
Debt falling due after 5 years	3.050.000	420.797
	<u><b>3.050.000</b></u>	<u><b>420.797</b></u>
<b>12 Cash flow statement - adjustments</b>		
Financial income	-62.495	-72.093
Financial expenses	1.564.818	913.175
Depreciation, amortisation and impairment losses, including losses and gains on sales	5.105.734	3.048.382
Tax on profit/loss for the year	-337.133	390.104
	<u><b>6.270.924</b></u>	<u><b>4.279.568</b></u>
<b>13 Cash flow statement - change in working capital</b>		
Change in inventories	-1.080.286	-3.054.018
Change in receivables	-28.242.825	-6.724.935
Change in other provisions	3.919.628	544.322
Change in trade payables, etc	20.058.736	3.038.908
	<u><b>-5.344.747</b></u>	<u><b>-6.195.723</b></u>

## Notes to the Financial Statements

	2017 DKK	2016 DKK
<b>14 Contingent assets, liabilities and other financial obligations</b>		
<b>Charges and security</b>		
The following assets have been placed as security with mortgage credit institutes:		
Land and buildings	408.219	2.489.567
The following assets have been placed as security with bankers:		
Land and buildings, all monies mortgage DKK 2,000k	408.219	2.489.567
Inventories, company mortgage	7.289.164	6.208.877
Sales receivable, company mortgage	39.436.142	11.867.791
Intangible assets, company mortgage	739.950	0
Other fixtures and fittings, tools and equipment, company mortgage	236.483	286.859

All monies mortgage, DKK 2,000k, and company mortgage, at a total amount of DKK 12,000k, has been provided as security and is also provided as security for affiliated companies outstanding bank debts as 31 December amounting to DKK 49,450k.

### Rental and lease obligations

The Company has entered into operating rental and lease arrangements with a total amount of DKK 3,196k. Rent obligations, interminability of 6-12 months, amounting to DKK 4,091k.

### Guarantee obligations

Security in respect of affiliated companies outstanding bank debts at 31 December amounting to DKK 49,450k.

Payment guarantees regarding rent obligations at 31 December amounting to DKK 3,619k.

# Notes to the Financial Statements

## 14 Contingent assets, liabilities and other financial obligations (continued)

### Other contingent liabilities

The Danish group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of Thyborøn Nordsøral A/S, which is the management company of the joint taxation purposes. Moreover, the Danish group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

## 15 Related parties

### Basis

#### Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company

Name

Place of registered office

Group De Cloedt s.a.

Ixelles, Belgium

The Group Annual Report of Group De Cloedt s.a. may be obtained at the following address:

Rue Gachard 88 Bfk 12  
1050 Ixelles  
Belgium

# Notes to the Financial Statements

## 16 Accounting Policies

The Annual Report of Sten & Grus Prøvestenen A/S for 2017 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2017 are presented in DKK.

### Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

### Leases

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Company.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

# Notes to the Financial Statements

## 16 Accounting Policies (continued)

### Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

## Income Statement

### Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Services are recognised at the rate of completion of the service to which the contract relates by using the percentage-of-completion method, which means that revenue equals the selling price of the service completed for the year. This method is applied when total revenues and expenses in respect of the service and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the service.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

### Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

### Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

# Notes to the Financial Statements

## 16 Accounting Policies (continued)

### Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, revenue has not been disclosed in the Annual Report.

### Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses other than production wages.

### Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

### Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of intangible assets and property, plant and equipment.

### Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

### Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with wholly owned Danish and foreign subsidiaries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

## Balance Sheet

### Intangible assets

Patents and licences are measured at the lower of cost less accumulated amortisation and recoverable amount. Patents are amortised over the remaining patent period, and licences are amortised over the licence period.

# Notes to the Financial Statements

## 16 Accounting Policies (continued)

### Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other buildings	20 years	
Plant and machinery	2 - 15 years	
Other fixtures and fittings, tools and equipment	7 - 8 years	
Leasehold improvements	5 - 10 years	

Depreciation period and residual value are reassessed annually.

Assets costing less than DKK 13,200 are expensed in the year of acquisition.

### Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

### Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour.

# Notes to the Financial Statements

## 16 Accounting Policies (continued)

### Fixed asset investments

Fixed asset investments consist of deposit and memberships deposits.

### Receivables

Receivables are recognised in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

### Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

### Current asset investments

Current asset investments, which consist of listed bonds and shares, are measured at their fair values at the balance sheet date. Fair value is determined on the basis of the latest quoted market price.

Investments which are not traded in an active market are measured at the lower of cost and recoverable amount.

### Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

### Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in 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 will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.



# Notes to the Financial Statements

## 16 Accounting Policies (continued)

### **Current tax receivables and liabilities**

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

### **Financial debts**

Loans, such as loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Mortgage loans are measured at amortised cost, which for cash loans corresponds to the remaining loan. Amortised cost of debenture loans corresponds to the remaining loan calculated as the underlying cash value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the loan made over the term of the loan at the date of raising the loan.

Other debts are measured at amortised cost, substantially corresponding to nominal value.

## **Cash Flow Statement**

The cash flow statement shows the Company's cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Company's cash and cash equivalents at the beginning and end of the year.

### **Cash flows from operating activities**

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

### **Cash flows from investing activities**

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

### **Cash flows from financing activities**

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

# Notes to the Financial Statements

## 16 Accounting Policies (continued)

### Cash and cash equivalents

Cash and cash equivalents comprise "Cash at bank and in hand" and "Current asset investments". "Current asset investments" consist of short-term securities with an insignificant risk of value changes that can readily be turned into cash.

The cash flow statement cannot be immediately derived from the published financial records.