
Jesperhus Resort ApS

Legindvej 13, DK-7900 Nykøbing Mors

Annual Report for 1 October 2019 - 30 September 2020

CVR No 10 26 88 93

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
28/1 2021

Ole Overgaard
Chairman of the General
Meeting



Contents

	<u>Page</u>
Management's Statement and Auditor's Report	
Management's Statement	1
Independent Auditor's Report	2
Management's Review	
Company Information	5
Financial Highlights	6
Management's Review	7
Financial Statements	
Income Statement 1 October - 30 September	8
Balance Sheet 30 September	9
Statement of Changes in Equity	11
Cash Flow Statement 1 October - 30 September	12
Notes to the Financial Statements	13

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Jesperhus Resort ApS for the financial year 1 October 2019 - 30 September 2020.

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 30 September 2020 of the Company and of the results of the Company operations and cash flows for 2019/20.

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

Nykøbing, 28 January 2021

Executive Board

Jesper Overgaard

Board of Directors

Ole Overgaard
Chairman

Jens Dalsgaard Løgstrup

Henrik Jensen Höhrmann

Peter Christensen

Lotte Simonsen

Independent Auditor's Report

To the Shareholders of Jesperhus Resort ApS

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 30 September 2020 and of the results of the Company's operations and cash flows for the financial year 1 October 2019 - 30 September 2020 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Jesperhus Resort ApS for the financial year 1 October 2019 - 30 September 2020, 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 misstatement, whether due to fraud or error.

Independent Auditor's Report

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.

Independent Auditor's Report

- 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.

Skive, 28 January 2021

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Martin Furbo

statsautoriseret revisor

mne32204

Allan Christensen

statsautoriseret revisor

mne35463

Company Information

The Company

Jesperhus Resort ApS
Legindvej 13
DK-7900 Nykøbing Mors

CVR No: 10 26 88 93

Financial period: 1 October - 30 September

Municipality of reg. office: Morsø

Board of Directors

Ole Overgaard, Chairman
Jens Dalsgaard Løgstrup
Henrik Jensen Höhrmann
Peter Christensen
Lotte Simonsen

Executive Board Auditors

Jesper Overgaard
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Resenvej 81
Postboks 19
DK-7800 Skive

Lawyers

Advokathuset Funch & Nielsen P/S
Nygade 4
7900 Nykøbing Mors

Bankers

Frøslev-Møllerup Sparekasse
Vestergade 7
7900 Nykøbing Mors

Sparekassen Thy
Grønnegade 17H
7900 Nykøbing Mors

Financial Highlights

Seen over a five-year period, the development of the Company is described by the following financial highlights:

	2019/20 TDKK	2018/19 TDKK	2017/18 TDKK	2016/17 TDKK	2015/16 TDKK
Key figures					
Profit/loss					
Gross profit/loss	46.096	46.401	38.333	35.824	34.358
Operating profit/loss	12.428	12.041	6.710	5.835	6.406
Profit/loss before financial income and expenses	12.428	12.041	6.710	5.835	6.406
Net financials	-894	-1.348	-1.730	-2.263	-2.733
Net profit/loss for the year	8.997	8.306	3.885	2.787	2.865
Balance sheet					
Balance sheet total	101.300	95.637	89.086	79.538	79.142
Equity	36.469	29.472	21.606	18.161	15.125
Cash flows					
Cash flows from:					
- operating activities	20.371	15.985	12.975	9.220	10.980
- investing activities	-15.532	-8.596	-4.378	-5.550	-2.478
- financing activities	-8.674	-3.943	28.973	-3.757	-3.608
Change in cash and cash equivalents for the year	-3.835	3.446	37.570	-87	4.894
Number of employees	82	90	81	77	71
Ratios					
Return on assets	12,3%	12,6%	7,5%	7,3%	8,1%
Solvency ratio	36,0%	30,8%	24,3%	22,8%	19,1%
Return on equity	27,3%	32,5%	19,5%	16,7%	20,8%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

Management's Review

Not translated

Income Statement 1 October - 30 September

	<u>Note</u>	<u>2019/20</u> DKK	<u>2018/19</u> DKK
Gross profit/loss		46.096.078	46.400.907
Staff expenses	1	<u>-28.157.185</u>	<u>-28.889.903</u>
Profit/ loss before depreciation		17.938.893	17.511.004
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		<u>-5.510.560</u>	<u>-5.470.334</u>
Profit/ loss before financial expenses		12.428.333	12.040.670
Financial expenses		<u>-893.573</u>	<u>-1.348.204</u>
Profit/loss before tax		11.534.760	10.692.466
Tax on profit/loss for the year	2	<u>-2.537.407</u>	<u>-2.386.132</u>
Net profit/loss for the year		<u>8.997.353</u>	<u>8.306.334</u>

Balance Sheet 30 September

Assets

	Note	2020 DKK	2019 DKK
Land and buildings		75.561.498	69.977.192
Other fixtures and fittings, tools and equipment		<u>11.865.600</u>	<u>7.378.182</u>
Property, plant and equipment	3	<u>87.427.098</u>	<u>77.355.374</u>
Fixed assets		<u>87.427.098</u>	<u>77.355.374</u>
Inventories	4	<u>2.332.819</u>	<u>1.761.704</u>
Trade receivables		94.484	616.404
Other receivables		710.423	978.975
Prepayments	5	<u>583.338</u>	<u>937.846</u>
Receivables		<u>1.388.245</u>	<u>2.533.225</u>
Cash at bank and in hand		<u>10.151.707</u>	<u>13.986.431</u>
Currents assets		<u>13.872.771</u>	<u>18.281.360</u>
Assets		<u>101.299.869</u>	<u>95.636.734</u>

Balance Sheet 30 September

Liabilities and equity

	Note	2020 DKK	2019 DKK
Share capital		300.000	300.000
Retained earnings		35.729.214	27.171.860
Proposed dividend for the year		<u>440.000</u>	<u>2.000.000</u>
Equity	6	<u>36.469.214</u>	<u>29.471.860</u>
Provision for deferred tax	8	<u>3.831.423</u>	<u>3.658.290</u>
Provisions		<u>3.831.423</u>	<u>3.658.290</u>
Mortgage loans		33.358.673	35.333.361
Credit institutions		1.720.391	6.262.508
Lease obligations		<u>266.124</u>	<u>237.952</u>
Long-term debt	9	<u>35.345.188</u>	<u>41.833.821</u>
Mortgage loans	9	2.032.293	2.029.291
Credit institutions	9	1.696.800	1.696.800
Lease obligations	9	97.583	286.181
Prepayments received from customers		9.765.120	5.187.134
Trade payables		2.464.188	2.783.336
Corporation tax		2.155.354	2.073.208
Other payables		7.060.206	6.064.313
Deferred income		<u>382.500</u>	<u>552.500</u>
Short-term debt		<u>25.654.044</u>	<u>20.672.763</u>
Debt		<u>60.999.232</u>	<u>62.506.584</u>
Liabilities and equity		<u>101.299.869</u>	<u>95.636.734</u>
Distribution of profit	7		
Contingent assets, liabilities and other financial obligations	12		
Related parties	13		
Accounting Policies	14		

Statement of Changes in Equity

	<u>Share capital</u> DKK	<u>Retained earnings</u> DKK	<u>Proposed dividend for the year</u> DKK	<u>Total</u> DKK
Equity at 1 October	300.000	27.171.861	2.000.000	29.471.861
Ordinary dividend paid	0	0	-2.000.000	-2.000.000
Net profit/loss for the year	<u>0</u>	<u>8.557.353</u>	<u>440.000</u>	<u>8.997.353</u>
Equity at 30 September	<u>300.000</u>	<u>35.729.214</u>	<u>440.000</u>	<u>36.469.214</u>

Cash Flow Statement 1 October - 30 September

	Note	2019/20 DKK	2018/19 DKK
Net profit/loss for the year		8.997.353	8.306.334
Adjustments	10	8.890.980	9.194.336
Change in working capital	11	<u>5.658.597</u>	<u>2.268.203</u>
Cash flows from operating activities before financial income and expenses		23.546.930	19.768.873
Financial expenses		<u>-893.573</u>	<u>-1.348.202</u>
Cash flows from ordinary activities		22.653.357	18.420.671
Corporation tax paid		<u>-2.282.128</u>	<u>-2.435.972</u>
Cash flows from operating activities		<u>20.371.229</u>	<u>15.984.699</u>
Purchase of property, plant and equipment		<u>-15.531.724</u>	<u>-8.595.529</u>
Cash flows from investing activities		<u>-15.531.724</u>	<u>-8.595.529</u>
Repayment of mortgage loans		-1.971.685	-1.967.169
Repayment of loans from credit institutions		-4.542.118	-1.461.983
Reduction of lease obligations		-160.426	-74.097
Dividend paid		<u>-2.000.000</u>	<u>-440.000</u>
Cash flows from financing activities		<u>-8.674.229</u>	<u>-3.943.249</u>
Change in cash and cash equivalents		-3.834.724	3.445.921
Cash and cash equivalents at 1 October		<u>13.986.431</u>	<u>10.540.510</u>
Cash and cash equivalents at 30 September		<u>10.151.707</u>	<u>13.986.431</u>
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		<u>10.151.707</u>	<u>13.986.431</u>
Cash and cash equivalents at 30 September		<u>10.151.707</u>	<u>13.986.431</u>

Notes to the Financial Statements

	2019/20 DKK	2018/19 DKK
1 Staff expenses		
Wages and salaries	24.598.963	25.178.315
Pensions	2.358.661	2.250.552
Other social security expenses	983.856	1.156.631
Other staff expenses	<u>215.705</u>	<u>304.405</u>
	<u>28.157.185</u>	<u>28.889.903</u>
Including remuneration to the Executive Board of: Executive Board	<u>1.354.506</u>	<u>1.324.006</u>
	<u>1.354.506</u>	<u>1.324.006</u>
Average number of employees	<u>82</u>	<u>90</u>
2 Tax on profit/loss for the year		
Current tax for the year	2.364.274	2.347.174
Deferred tax for the year	<u>173.133</u>	<u>38.958</u>
	<u>2.537.407</u>	<u>2.386.132</u>
3 Property, plant and equipment		
	<u>Land and buildings DKK</u>	<u>Other fixtures and fittings, tools and equipment DKK</u>
Cost at 1 October	183.825.967	47.977.567
Additions for the year	<u>9.614.306</u>	<u>5.917.418</u>
Cost at 30 September	<u>193.440.273</u>	<u>53.894.985</u>
Impairment losses and depreciation at 1 October	113.848.775	40.599.385
Depreciation for the year	<u>4.030.000</u>	<u>1.430.000</u>
Impairment losses and depreciation at 30 September	<u>117.878.775</u>	<u>42.029.385</u>
Carrying amount at 30 September	<u>75.561.498</u>	<u>11.865.600</u>
Including assets under finance leases amounting to	<u>166.747</u>	<u>339.781</u>

Notes to the Financial Statements

	<u>2020</u> DKK	<u>2019</u> DKK
4 Inventories		
Finished goods and goods for resale	<u>2.332.819</u>	<u>1.761.704</u>
	<u>2.332.819</u>	<u>1.761.704</u>

5 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions and interest as well.

6 Equity

The share capital is broken down as follow:

	<u>Number</u>	<u>Nominal value</u> DKK
Class A	200	20.000
Class B	2.800	<u>280.000</u>
		<u>300.000</u>

There have been no changes in the share capital during the last 5 years.

7 Distribution of profit

Proposed dividend for the year	440.000	2.000.000
Retained earnings	<u>8.557.353</u>	<u>6.306.334</u>
	<u>8.997.353</u>	<u>8.306.334</u>

Notes to the Financial Statements

	2020 DKK	2019 DKK
8 Provision for deferred tax		
Property, plant and equipment	3.896.089	3.634.774
Inventories	-110.000	-110.000
Payables	-83.000	-72.800
Current assets	<u>128.334</u>	<u>206.316</u>
	<u>3.831.423</u>	<u>3.658.290</u>

9 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

Mortgage loans

After 5 years	26.576.096	28.607.462
Between 1 and 5 years	<u>6.782.577</u>	<u>6.725.899</u>
Long-term part	33.358.673	35.333.361
Within 1 year	<u>2.032.293</u>	<u>2.029.291</u>
	<u>35.390.966</u>	<u>37.362.652</u>

Credit institutions

After 5 years	0	1.147.309
Between 1 and 5 years	<u>1.720.391</u>	<u>5.115.199</u>
Long-term part	1.720.391	6.262.508
Within 1 year	<u>1.696.800</u>	<u>1.696.800</u>
	<u>3.417.191</u>	<u>7.959.308</u>

Lease obligations

After 5 years	0	7.607
Between 1 and 5 years	<u>266.124</u>	<u>230.345</u>
Long-term part	266.124	237.952
Within 1 year	<u>97.583</u>	<u>286.181</u>
	<u>363.707</u>	<u>524.133</u>

Notes to the Financial Statements

	<u>2019/20</u> DKK	<u>2018/19</u> DKK
10 Cash flow statement - adjustments		
Financial expenses	893.573	1.348.204
Depreciation, amortisation and impairment losses, including losses and gains on sales	5.460.000	5.460.000
Tax on profit/loss for the year	<u>2.537.407</u>	<u>2.386.132</u>
	<u>8.890.980</u>	<u>9.194.336</u>

11 Cash flow statement - change in working capital

Change in inventories	-571.115	85.285
Change in receivables	1.144.981	-54.211
Change in trade payables, etc	<u>5.084.731</u>	<u>2.237.129</u>
	<u>5.658.597</u>	<u>2.268.203</u>

	<u>2020</u> DKK	<u>2019</u> DKK
12 Contingent assets, liabilities and other financial obligations		

Charges and security

The following assets have been placed as security with bankers:

For security for engagement with financial institutions that per 30 September 2020 amounts to TDKK 3.500, security has been provided in the form of owner mortgage deeds of TDKK 16.000, which provide a mortgage on land and buildings with an accounting value of TDKK 75.600 per 30 September 2020 as well as corporate mortgage of TDKK 10.000.

In addition, security for priority has been provided to mortgage credit institutions.

Mortgage deeds also include a share of other facilities, operating equipment and fixtures.

Notes to the Financial Statements

13 Related parties

Controlling interest

Basis of influence

Directors, owners and board members:

Jesper Overgaard, Legindvej 1, 7900 Nykøbing Mors

Owner

Peter Overgaard, Legindvej 15, 7900 Nykøbing Mors

Owner

Ole Overgaard, Godset 2, 8890 Langå

Owner

Karsten Overgaard, Hedegårdsvej 13, 7900 Nykøbing
Mors

Owner

Notes to the Financial Statements

14 Accounting Policies

The Annual Report of Jesperhus Resort ApS for 2019/20 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2019/20 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

14 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.

Hedge accounting

Changes in the fair values of financial instruments that are designated and qualify as fair value hedges of a recognised asset or a recognised liability are recognised in the income statement as are any changes in the fair value of the hedged asset or the hedged liability related to the hedged risk.

Changes in the fair values of derivative financial instruments that are designated and qualify as hedges of expected future transactions are recognised in retained earnings under equity as regards the effective portion of the hedge. The ineffective portion is recognised in the income statement. If the hedged transaction results in an asset or a liability, the amount deferred in equity is transferred from equity and recognised in the cost of the asset or the liability, respectively. If the hedged transaction results in an income or an expense, the amount deferred in equity is transferred from equity to the income statement in the period in which the hedged transaction is recognised. The amount is recognised in the same item as the hedged transaction.

Changes in the fair values of financial instruments that are designated and qualify as hedges of net investments in independent foreign subsidiaries or associates are recognised directly in equity as regards the effective portion of the hedge, whereas the ineffective portion is recognised in the income statement.

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

Notes to the Financial Statements

14 Accounting Policies (continued)

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.

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, expenses for raw materials and consumables and other external expenses.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

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.

Notes to the Financial Statements

14 Accounting Policies (continued)

Balance Sheet

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.

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognised in cost over the period of construction. All indirectly attributable borrowing expenses are recognised in the income statement.

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:

Production building,	10-50	years
Other fixtures and fittings, tools and equipment	3-25	years

Depreciation period and residual value are reassessed annually.

Assets costing less than DKK 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 with addition of indirect production costs. Indirect production costs comprise the cost of

Notes to the Financial Statements

14 Accounting Policies (continued)

indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

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

Equity

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

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

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.

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.

Notes to the Financial Statements

14 Accounting Policies (continued)

Financial debts

Loans, such as mortgage loans and 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.

Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

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

Cash and cash equivalents

Cash and cash equivalents comprise "Cash at bank and in hand" and "Overdraft facilities".

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

Notes to the Financial Statements

14 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

Return on assets

Profit before financials x 100

Total assets

Solvency ratio

Equity at year end x 100

Total assets at year end

Return on equity

Net profit for the year x 100

Average equity