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CONTROLLED POLYMERS A/S
BOHRSVEJ 8, 6760 RIBE
ANNUAL REPORT
1 JANUARY - 31 DECEMBER 2023

The Annual Report has been presented and adopted at the Company's Annual General Meeting on 24 June 2024

Robert Kenneth Gudbranson

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COMPANY DETAILS

Company	CONTROLLED POLYMERS A/S Bohrsvej 8 6760 Ribe CVR No.: 25 35 24 40 Established: 26 April 2000 Municipality: Esbjerg Financial Year: 1 January - 31 December
Board of Directors	Robert Kenneth Gudbranson, chairman James Michael Figaniak Barend Christoffel Du Plessis
Executive Board	James Michael Figaniak
Auditor	BDO Statsautoriseret revisionsaktieselskab Dokken 8 6700 Esbjerg

MANAGEMENT'S STATEMENT

Today the Board of Directors and Executive Board have discussed and approved the Annual Report of CONTROLLED POLYMERS A/S for the financial year 1 January - 31 December 2023.

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

In our opinion the Financial Statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2023 and of the results of the Company's operations for the financial year 1 January - 31 December 2023.

The Management Commentary includes in our opinion a fair presentation of the matters dealt with in the Commentary.

We recommend the Annual Report be approved at the Annual General Meeting.

Ribe, 24 June 2024

Executive Board

James Michael Figaniak

Board of Directors

Robert Kenneth Gudbranson
Chairman

James Michael Figaniak

Barend Christoffel Du Plessis

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of CONTROLLED POLYMERS A/S

Opinion

We have audited the Financial Statements of CONTROLLED POLYMERS A/S for the financial year 1 January - 31 December 2023, which comprise income statement, Balance Sheet, statement of changes in equity, notes and a summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Financial Statements give a true and fair view of the assets, liabilities and financial position of the Company at 31 December 2023 and of the results of the Company's operations for the financial year 1 January - 31 December 2023 in accordance with the Danish Financial Statements Act.

Basis for Opinion

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

Management's Responsibilities for the Financial Statements

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

In preparing the Financial Statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

INDEPENDENT AUDITOR'S REPORT

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on Management Commentary

Management is responsible for Management Commentary.

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

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

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

Based on the work we have performed, we conclude that Management Commentary is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of Management Commentary.

Esbjerg, 24 June 2024

BDO Statsautoriseret revisionsaktieselskab
CVR no. 20 22 26 70

Mikael Grosbøl
State Authorised Public Accountant
MNE no. mne33707

FINANCIAL HIGHLIGHTS

	2023 DKK '000	2022 DKK '000	2021 DKK '000	2019/20 DKK '000	2018/19 DKK '000
Income statement					
Gross profit/loss.....	36,870	41,568	32,634	25,600	25,754
Operating profit/loss of main activities...	5,386	6,418	11,834	7,739	13,922
Financial income and expenses, net.....	-3,640	-1,481	30	-56	117
Profit/loss for the year.....	356	2,689	8,314	4,745	10,935
Balance sheet					
Total assets.....	155,723	194,397	137,440	100,146	52,670
Equity.....	96,687	96,332	93,643	85,329	36,762
Investment in property, plant and equipment.....	-17,520	-24,432	-14,679	-3,419	-2,250
Key ratios					
Equity ratio.....	62.1	49.6	68.1	85.2	69.8
Return on equity.....	0.4	2.8	9.3	7.8	28.7

Because of a change in ownership in 2020 Controlled Polymers A/S made a change in the financial year. For that reason, the profit and loss for 2019/20 contains 15 months compared to 12 months in the other financial years.

Accordingly, the comparative financial highlights is not comparable.

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

Equity ratio:
$$\frac{\text{Equity, at year-end} \times 100}{\text{Total assets, at year-end}}$$

Return on equity:
$$\frac{\text{Profit/loss after tax} \times 100}{\text{Average equity}}$$

MANAGEMENT COMMENTARY

Principal activities

Primary activities are research, development, production, and sale of compounded plastic materials as well as color and additive masterbatch formulations.

Development in activities and financial and economic position

Following the acquisition of Controlled Polymers A/S by Americhem Inc. the parent company has completed the merger of related companies in Denmark and created a corporate structure consistent with other international holdings. The structure has created no operational changes.

The company's financial year follows the parent company's financial year which is the calendar year.

Profit/loss for the year compared to the expected development

Non-Financial Highlights: During the year, significant non-financial events have shaped our operational landscape. These include the depreciation of goodwill resulting from the merger of Danish companies and adjustments made under our inventory impairment policy.

Operational Developments: In 2023, we successfully completed the construction of a new "clean room" facility. This facility, which is set to be fully operational by mid-2024, represents a strategic milestone for our European operations. It will serve as our regional headquarters and support the execution of our healthcare growth strategy in Europe.

Market Dynamics: Despite challenges such as increased manufacturing material costs, our material margin exhibited a modest year-over-year increase. This improvement can be attributed to strengthened internal control processes and strategic pricing adjustments aimed at specific market segments and customer groups.

Management Assessment: Considering the changes and challenges encountered throughout the financial year, both internally and externally, management considers the year's financial result to be acceptable. These assessments are based on a comprehensive review of our operational performance and strategic initiatives undertaken during the period.

This report provides a summary of our financial and operational achievements, highlighting our resilience and strategic focus amidst a dynamic business environment.

The result for the year shows a profit of DKK 355 K. The result for the period has been negatively affected by higher costs due to the adverse impact of obsolescent raw materials and finished goods, partially offset by strict price management in a deflationary raw material environment.

Significant events after the end of the financial year

No events have occurred after the end of the financial year of material importance for the Company's financial position.

Financial risk

The company's revenue is invoiced primarily in EUR and DKK and the company's purchases are also made in DKK and EUR. The company thus does not have a significant currency risk on revenue and purchases. The company is financed only with variable short-term debt and the company thus has an interest rate risk on the financing side.

Stagflation and a possible EU, or global recession cannot be excluded in 2024 which may adversely affect performance.

Environmental situation

Sustainable Production Practices: We recognize the environmental impact of our products, particularly in terms of plastic consumption. To address this, we are committed to developing production processes that minimize our environmental footprint. We continuously measure and monitor our key environmental parameters to ensure ongoing improvement.

Sustainable Materials and Energy Use: In our production, we exclusively use raw materials that comply with REACH and RoHS standards. Our electricity supply is sourced entirely from wind energy, and we

MANAGEMENT COMMENTARY

Environmental situation (continued)

use wood pellets for heating. These initiatives are part of our broader efforts to enhance sustainability.

Global Sustainability Efforts: Controlled Polymers A/S actively participates in the parent company's Sustainability Council, contributing to the development of a Global Sustainability Strategy for Americhem. Recently, Americhem appointed a Global Sustainability Leader who reports directly to the European Vice President, underscoring our commitment to sustainability at a global level.

Knowledge resources

The company works on an ongoing basis to attract, retain, and develop employees to support the company business. This happens i.e., via extroverted activities, support of staff activities, continuing education etc. and not at least a striving to be a good and proper workplace.

Research and development activities

The company works continuously on the development of production methods and processes. Because of the current financial situation, development activities in the financial year have primarily been targeted solving direct customer-related issues.

Future expectations

Market Conditions: We anticipate that raw material availability and costs will ease in 2024. However, high inflation is expected to persist, potentially impacting customer demand and posing challenges to our performance targets.

Sector Concerns: The Building & Construction market segment in Europe remains a potential concern, as a significant slowdown in demand was observed towards the end of 2023.

Strategic Initiatives: Management is confident that new business opportunities, the execution of our sales strategy with a focus on healthcare, price maintenance, and improvements in operational efficiencies will support modest revenue growth in the next financial year.

Potential Risks: We remain vigilant to the risks of stagflation, a potential EU or global recession, and geopolitical instability, which could adversely affect our performance in 2024.

Taking the abovementioned into consideration we anticipate the result for the year 2024 to be DKK 2,5M.

INCOME STATEMENT 1 JANUARY - 31 DECEMBER

	Note	2023 DKK	2022 DKK
GROSS PROFIT	1	36,869,661	41,567,690
Distribution costs.....	1	-20,075,341	-22,809,092
Administrative expenses.....	1	-11,408,653	-12,340,575
OPERATING PROFIT		5,385,667	6,418,023
Other financial income.....	2	746,835	143,341
Other financial expenses.....	3	-4,386,779	-1,624,353
PROFIT BEFORE TAX		1,745,723	4,937,011
Tax on profit/loss for the year.....	4	-1,390,000	-2,248,000
PROFIT FOR THE YEAR	5	355,723	2,689,011

BALANCE SHEET AT 31 DECEMBER

ASSETS	Note	2023 DKK	2022 DKK
Completed development projects.....		2,705,653	3,705,403
Acquired intangible assets.....		3,989	10,001
Goodwill.....		29,615,097	34,057,329
Intangible assets.....	6	32,324,739	37,772,733
Other plant, fixtures and equipment.....		29,061,621	25,994,273
Leasehold improvements.....		22,365,406	13,322,294
Property, plant and equipment.....	7	51,427,027	39,316,567
Rent deposit and other receivables.....		1,889,579	981,598
Financial non-current assets.....	8	1,889,579	981,598
NON-CURRENT ASSETS.....		85,641,345	78,070,898
Raw materials and consumables.....		26,377,287	48,392,714
Finished goods and goods for resale.....		7,897,889	7,623,926
Inventories.....		34,275,176	56,016,640
Trade receivables.....		26,472,729	47,592,018
Receivables from group enterprises.....		3,405,898	1,434,337
Other receivables.....		1,651,337	1,036,324
Prepayments.....	9	3,820,408	9,425,618
Receivables.....		35,350,372	59,488,297
Cash and cash equivalents.....		456,485	821,191
CURRENT ASSETS.....		70,082,033	116,326,128
ASSETS.....		155,723,378	194,397,026

BALANCE SHEET AT 31 DECEMBER

EQUITY AND LIABILITIES	Note	2023 DKK	2022 DKK
Share Capital.....	10	1,429,000	1,429,000
Reserve for development costs.....		2,110,409	2,890,214
Retained earnings.....		93,147,884	92,012,356
EQUITY.....		96,687,293	96,331,570
Provision for deferred tax.....	11	920,000	1,258,000
PROVISIONS.....		920,000	1,258,000
Other non-current liabilities.....		1,676,669	1,439,276
Non-current liabilities.....	12	1,676,669	1,439,276
Bank debt.....		6,357,937	15,919,815
Trade payables.....		14,592,476	29,451,229
Debt to Group companies.....		30,195,180	43,998,325
Corporation tax payable.....		1,728,000	2,062,000
Other liabilities.....		3,565,823	3,936,811
Current liabilities.....		56,439,416	95,368,180
LIABILITIES.....		58,116,085	96,807,456
EQUITY AND LIABILITIES.....		155,723,378	194,397,026
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EQUITY

DKK	Share Capital	Reserve for development costs	Retained earnings	Total
Equity at 1 January 2023.....	1,429,000	2,890,214	92,012,356	96,331,570
Proposed profit allocation, see note 5.....			355,723	355,723
Transfers				
Allowed equalization.....		-779,805	779,805	0
Equity at 31 December 2023.....	1,429,000	2,110,409	93,147,884	96,687,293

NOTES

	2023 DKK	2022 DKK	Note
Staff costs			1
Average number of full time employees	76	79	
Wages and salaries.....	37,418,725	39,618,642	
Pensions.....	3,885,820	3,824,015	
Social security costs.....	1,988,290	1,985,535	
	43,292,835	45,428,192	
Information on remuneration to management has been omitted as per ÅRL § 98b paragraph 3.			
Other financial income			2
Other interest income.....	746,835	143,341	
	746,835	143,341	
Other financial expenses			3
Interest expenses to group enterprises.....	2,610,545	465,184	
Other interest expenses.....	1,776,234	1,159,169	
	4,386,779	1,624,353	
Tax on profit/loss for the year			4
Calculated tax on taxable income of the year.....	1,728,000	2,062,000	
Adjustment of deferred tax.....	-338,000	186,000	
	1,390,000	2,248,000	
Proposed distribution of profit			5
Retained earnings.....	355,723	2,689,011	
	355,723	2,689,011	
Intangible assets			6
DKK	Completed development projects	Acquired intangible assets	Goodwill
Cost at 1 January 2023.....	6,231,812	506,981	66,633,404
Cost at 31 December 2023.....	6,231,812	506,981	66,633,404
Amortisation at 1 January 2023.....	2,526,409	496,980	32,576,075
Amortisation for the year.....	999,750	6,012	4,442,232
Amortisation at 31 December 2023.....	3,526,159	502,992	37,018,307
Carrying amount at 31 December 2023.....	2,705,653	3,989	29,615,097

Completed development projects is costs related to a new ERP system, that was implemented in 2020 and have been further developed in 2021 and 2022.

NOTES

			Note
Property, plant and equipment			7
	Other plant, fixtures and equipment	Leasehold improvements	
DKK			
Cost at 1 January 2023.....	54,691,437	19,264,594	
Additions.....	7,742,222	9,777,806	
Cost at 31 December 2023.....	62,433,659	29,042,400	
Depreciation and impairment losses at 1 January 2023.....	28,697,163	5,942,300	
Depreciation for the year.....	4,674,875	734,694	
Depreciation and impairment losses at 31 December 2023....	33,372,038	6,676,994	
Carrying amount at 31 December 2023.....	29,061,621	22,365,406	
 Financial non-current assets			 8
		Rent deposit and other receivables	
DKK			
Cost at 1 January 2023.....		981,598	
Additions.....		907,981	
Cost at 31 December 2023.....		1,889,579	
Carrying amount at 31 December 2023.....		1,889,579	
 Prepayments			 9
Prepayments include prepaid insurance, leasing, licensing agreements and prepayments for goods.			
	2023	2022	
	DKK	DKK	
Share Capital			10
Allocation of share capital:			
Ordinary Shares, 1,429 unit in the denomination of 1,000 DKK..	1,429,000	1,429,000	
	1,429,000	1,429,000	
 Provision for deferred tax			 11
The provision for deferred tax is related to differences between the carrying amount and tax value of securities, receivables, intangible and tangible fixed assets, including recognised finance lease contracts.			

NOTES

	2023 DKK	2022 DKK	Note
Deferred tax, beginning of year.....	1,258,000	1,072,000	
Deferred tax of the year, income statement.....	-338,000	186,000	
Provision for deferred tax 31 December 2023.....	920,000	1,258,000	

Long-term liabilities

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DKK	31/12 2023 total liabilities	Repayment next year	Debt outstanding after 5 years	31/12 2022 total liabilities
Other non-current liabilities.....	1,676,669	0	1,439,276	1,439,276
	1,676,669	0	1,439,276	1,439,276

Contingencies etc.

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Contingent liabilities

	2023 DKK	2022 DKK
Lease liabilities (operating leases), the payment is due: lease agreements until maturity in total.....	1,294,103	536,382
	1,294,103	536,382
Rental commitments, the remaining non-cancellable period being: Liabilities under rental until maturity in total.....	42,830,409	1,899,600
	42,830,409	1,899,600

Joint liabilities

The Company is jointly and severally liable together with the Parent Company and the other group companies in the joint taxable group for tax on the group's joint taxable income and for certain possible withholding taxes, such as dividend tax, etc.

Tax payable on the Group's joint taxable income is stated in the annual report of Americhem Denmark ApS, which serves as management Company for the joint taxation.

Charges and securities

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Bank loans are secured by way of a deposited mortgage deed registered to the mortgagor on goodwill, other fixtures and fittings, tools and equipment and leasehold improvements of DKK 1,900k nominal.

Furthermore bank loans are secured by receivables charges of DKK 11,000k nominal.

The carrying amount of mortgaged goodwill, other fixtures and fittings, tools and equipment and leasehold improvements is DKK 81,042k, the carrying amount of mortgaged receivables is DKK 26,473k.

NOTES**Note****Related parties****15**

The Company's related parties include:

Controlling interest

Americhem Denmark ApS, Ribe, Denmark (Parent company)
Americhem Inc., 2000 Americhem Way, Cuyahoga Falls, OH, 44221 USA.

Americhem Inc. does not publish a group annual report.

Transactions with related parties

The Company did not carry out any material transactions that were not concluded on market conditions. According to section 98c, subsection 7 of the Danish Financial Statements Act information is given only on transactions that were not performed on common market conditions.

Consolidated Financial Statements**16**

Americhem Denmark ApS, Ribe, Denmark (Parent company)

ACCOUNTING POLICIES

The Annual Report of CONTROLLED POLYMERS A/S for 2023 has been presented in accordance with the provisions of the Danish medium-size Financial Statements Act for enterprises in reporting class C .

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

INCOME STATEMENT

Net revenue

Net revenue from sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and the risk has passed to the buyer.

Net revenue is recognised exclusive of VAT and less duties and discounts related to the sale.

Other operating income

Other operating income includes items of a secondary nature in relation to the enterprises' principal activities, including profit from sale of intangible and tangible assets, as well as salary refunds. Compensations are recognised when the income is estimated to be realisable.

Production costs

Production costs comprise the costs of manufacture and procurement paid to achieve the net revenue for the year, including costs of raw materials and consumables, wages and salaries, energy, maintenance, leasing and depreciation of production plant, and adjusted for changes in inventory of finished goods and work in progress.

Distribution costs

The costs paid for the distribution of goods sold during the year and for sales campaigns, etc. carried out during the year are recognised in distribution costs. The cost of sales personnel, advertising and exhibition costs and amortisation of distribution and sales related assets are also recognised in distribution costs. Common losses on bad debts are also recognised.

Administrative expenses

Administrative expenses recognise costs incurred during the year regarding management and administration, inclusive of costs relating to the administrative staff, Executives, office premises, office expenses, etc., and related amortisation.

Financial income and expenses

Financial income and expenses include interest income and expenses, financial expenses of finance leases, realised and unrealised gains and losses arising from securities, debt and transactions in foreign currencies, as well as charges and allowances under the tax-on-account scheme, etc. Financial income and expenses are recognised by the amounts that relate to the financial year. Interest income and expenses are calculated on amortised cost prices.

Tax

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

The Entity is jointly taxed with the Parent company. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

BALANCE SHEET

Intangible fixed assets

Acquired goodwill is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over the expected useful life which is estimated to 15 years. The period of amortisation is determined based on an assessment of the acquired Company's position in the market and earnings profile, and the industry-specific conditions.

ACCOUNTING POLICIES

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

Completed development projects are amortised on a straight-line basis using their estimated useful lives. For development projects protected by intellectual property rights, the maximum period of amortisation is the remaining duration of the relevant rights. The amortisation periods used are 5-7 years.

Profit or loss from sale of intangible fixed assets is calculated at the difference between the sales price and the carrying amount at the time of the sale. Profit and loss are recognised in the Income Statement under other operating income or other operating expenses.

Tangible fixed assets

Land and buildings, production plant and machinery, other plant, fixtures and equipment are measured at cost less accumulated depreciation and impairment losses.

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
Other plant, fixtures and equipment.....	3-8 years	0 %
Leasehold improvements.....	25 years	0 %

Profit or loss on sale of tangible fixed assets is stated as the difference between the sales price less selling costs and the carrying amount at the date of sale. Profit or loss is recognised in the Income Statement as other operating income or other operating expenses.

Financial non-current assets

Deposits include rental deposits which are recognised and measured at cost. Deposits are not depreciated.

Impairment of fixed assets

The carrying amount of intangible fixed and tangible assets together with fixed assets, which are not measured at fair value,, are assessed annually for indications of impairment other than that reflected by amortisation and depreciation.

In the event of impairment indications, an impairment test is made for each asset or group of assets, respectively. If the recoverable amount is lower than the carrying amount, the asset is written down to the recoverable amount.

The recoverable amount is calculated at the higher of the capital value and the sales value less expected costs of a sale. The capital value is determined as the Company's share in the current value of the net cash flows which the subsidiary is expected to generate through its activities and from sale of assets after the end of their useful lives. A discount rate is used which reflects the risk-free market rate and the owners' minimum return on interest requirements for similar assets. The growth rate in the terminal period is determined in accordance with the standards within the industry.

ACCOUNTING POLICIES

Inventories

Inventories are measured at cost using the FIFO-principle. If the net realisable amount is lower than cost, the inventories are written down to the lower amount.

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 the cost of raw materials, consumables, direct payroll cost and other direct and other indirect production costs include indirect materials and payroll and maintenance and depreciation of the machines, factory buildings and equipment used in the production process, the cost of factory administration and management and capitalised development costs relating to the products.

The net realisable value of inventories is stated at the expected sales price less direct completion costs and costs incurred to execute the sale and is determined with due regard to marketability, obsolescence and development in expected sales price of the inventories.

Receivables

Receivables are measured at amortised cost which usually corresponds to nominal value. The value is written down to meet expected losses.

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

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

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

Accruals, assets

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

Cash and cash equivalents

Cash and cash equivalents include cash at bank.

Equity

Reserve for development costs

The reserve includes recognised post-tax development costs, which are capitalised as intangible assets. The reserve is reduced concurrently with depreciation of the intangible asset and is dissolved if the asset is discontinued from the operation of the company. Reduction of the reserve takes place via transferring directly to the distributable reserves of the equity.

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.

The Company is subject to joint taxation with Danish Group companies. The current corporation tax is distributed among the joint taxable companies in proportion to their taxable income and with full allocation and refund related to tax losses. The joint taxable companies are included in the tax-on-account scheme. Joint taxation contributions receivable and payable are recognised in the Balance Sheet under current assets and liabilities, respectively.

ACCOUNTING POLICIES

Deferred tax is measured on the temporary differences between the carrying amount and the tax value of assets and liabilities.

Deferred tax assets, including the tax value of tax loss carryforwards, are measured at the amount at which the asset is expected to be used within a reasonable number of years, either by setoff against tax on future earnings or by setoff against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that under the legislation in force on the Balance Sheet date will be applicable when the deferred tax is expected to crystallise as current tax. Any changes in the deferred tax resulting from changes in tax rates, are recognised in the income statement, except from items recognised directly in equity.

Liabilities

Financial liabilities are recognised at the time of borrowing by the amount of proceeds received less transaction costs. In subsequent periods, the financial liabilities are measured at amortised cost equal to the capitalised value when using the effective interest, the difference between the proceeds and the nominal value being recognised in the Income Statement over the loan period.

The amortised cost of current liabilities corresponds usually to the 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.

Receivables, payables and other monetary items in foreign currencies that are not settled on the Balance Sheet date are translated at the exchange rate on the Balance Sheet date. The difference between the exchange rate on the Balance Sheet date and the exchange rate at the date when the receivables or payables come into existence recognised in the Income Statement as financial income or expenses.

Fixed assets acquired in foreign currencies are translated at the rate of exchange on the transaction date.

CASH FLOW STATEMENT

With reference to Section 86(4) of the Danish Financial Statements Act, the Company has not prepared a cash flow statement. A cash flow statement has been prepared for the Group.