

Concens A/S
Øresundsvej 7
6715 Esbjerg N
Business Registration No
10132266

Annual report 2018

The Annual General Meeting adopted the annual report on 12.04.2019

Chairman of the General Meeting

Name: René Lynge

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Entity details

Entity

Concens A/S
Øresundsvej 7
6715 Esbjerg N

Central Business Registration No (CVR): 10132266

Registered in: Esbjerg

Financial year: 01.01.2018 - 31.12.2018

Board of Directors

Erik Bank Lauridsen
Jørgen Rathschau Sørensen
Henrik Lauridsen
Per Bank Lauridsen
Niels Erik Hedeager
Anna Elisa Bansbach

Executive Board

René Lyngø, Managing Director

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Dokken 8
Postbox 200
6701 Esbjerg

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Concens A/S for the financial year 01.01.2018 - 31.12.2018.

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 Entity's financial position at 31.12.2018 and of the results of its operations for the financial year 01.01.2018 - 31.12.2018.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Esbjerg, 12.04.2019

Executive Board

René Lyngé
Managing Director

Board of Directors

Erik Bank Lauridsen

Jørgen Rathschau Sørensen

Henrik Lauridsen

Per Bank Lauridsen

Niels Erik Hedeager

Anna Elisa Bansbach

Independent auditor's report

To the shareholders of Concens A/S

Opinion

We have audited the financial statements of Concens A/S for the financial year 01.01.2018 - 31.12.2018, which comprise the income statement, balance sheet, statement of changes in equity and notes, including 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 Entity's financial position at 31.12.2018 and of the results of its operations for the financial year 01.01.2018 - 31.12.2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of 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.

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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity 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.

Independent auditor's report

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 Entity'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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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.

Independent auditor's report

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the 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 the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Based on the work we have performed, we conclude that the 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 the management commentary.

Esbjerg, 12.04.2019

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR)
33963556

Jørn Jepsen
State Authorised Public Accountant
Identification No (MNE) mne24824

Leon Vad Laxy Christensen
State Authorised Public Accountant
Identification No (MNE) mne33729

Management commentary

Primary activities

Concens design, develop and manufacture electric inline actuators, which stand out from most of the competitors due to its size and design. The product portfolio also includes control units and accessories. The company is based in Esbjerg, Denmark.

Development in activities and finances

The fiscal year 2018 developed as expected and earnings before tax ended at DKK 4,605t.

Market Position

Concens is a market challenger in the electric actuator industry. Since its inception in 2003, the company has focused on serving customers who require compact, well-designed electric actuators for use in products where both design and appearance play a crucial role.

Concens' products are used in a board variety of applications, and more than 80% of the turnover is exported through distributors mainly in Europe. In Germany, the distributor is a 100% Concens-owned subsidiary.

Concens wants to be the preferred partner for customers looking for uncompromising design and outstanding value.

Outlook

The Concens management team expects Concens to continue the positive trends and consider the company well prepared for future growth and expansion.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income statement for 2018

	<u>Notes</u>	<u>2018 DKK</u>	<u>2017 DKK</u>
Gross profit		14.852.856	12.617.277
Staff costs	1	(9.775.269)	(8.308.712)
Depreciation, amortisation and impairment losses	2	(440.548)	(522.166)
Operating profit/loss		4.637.039	3.786.399
Income from investments in group enterprises		89.747	220.135
Other financial income	3	1.858	2.743
Financial expenses from group enterprises		(8.491)	(9.115)
Other financial expenses	4	(115.478)	(119.037)
Profit/loss before tax		4.604.675	3.881.125
Tax on profit/loss for the year	5	(986.836)	(841.719)
Profit/loss for the year		3.617.839	3.039.406
Proposed distribution of profit/loss			
Retained earnings		3.617.839	3.039.406
		3.617.839	3.039.406

Balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018 DKK</u>	<u>2017 DKK</u>
Completed development projects		573.001	833.269
Acquired patents		277.258	300.457
Development projects in progress		124.057	21.100
Intangible assets	6	<u>974.316</u>	<u>1.154.826</u>
Other fixtures and fittings, tools and equipment		646.431	426.432
Leasehold improvements		455.122	367.636
Property, plant and equipment	7	<u>1.101.553</u>	<u>794.068</u>
Investments in group enterprises		541.824	452.077
Fixed asset investments	8	<u>541.824</u>	<u>452.077</u>
Fixed assets		<u>2.617.693</u>	<u>2.400.971</u>
Raw materials and consumables		8.452.548	7.432.717
Prepayments for goods		184.879	265.451
Inventories		<u>8.637.427</u>	<u>7.698.168</u>
Trade receivables		3.015.185	2.739.077
Receivables from group enterprises		413.128	685.680
Other receivables		146.682	89.961
Prepayments		119.705	181.486
Receivables		<u>3.694.700</u>	<u>3.696.204</u>
Cash		<u>2.519.652</u>	<u>1.078.580</u>
Current assets		<u>14.851.779</u>	<u>12.472.952</u>
Assets		<u>17.469.472</u>	<u>14.873.923</u>

Balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018 DKK</u>	<u>2017 DKK</u>
Contributed capital		2.439.522	2.439.522
Reserve for net revaluation according to the equity method		66.141	0
Reserve for development expenditure		543.710	313.246
Retained earnings		9.888.543	6.510.644
Equity		<u>12.937.916</u>	<u>9.263.412</u>
Deferred tax	9	188.219	215.119
Other provisions		80.000	80.000
Provisions		<u>268.219</u>	<u>295.119</u>
Bank loans		0	2.010.337
Prepayments received from customers		152.235	0
Trade payables		2.129.761	2.071.013
Payables to group enterprises		160.281	244.636
Income tax payable		1.012.402	66.005
Other payables		808.658	923.401
Current liabilities other than provisions		<u>4.263.337</u>	<u>5.315.392</u>
Liabilities other than provisions		<u>4.263.337</u>	<u>5.315.392</u>
Equity and liabilities		<u>17.469.472</u>	<u>14.873.923</u>
Financial instruments	10		
Unrecognised rental and lease commitments	11		
Contingent liabilities	12		
Assets charged and collateral	13		

Statement of changes in equity for 2018

	Contributed capital DKK	Reserve for net revaluation according to the equity method DKK	Reserve for development expenditure DKK
Equity beginning of year	2.439.522	0	313.246
Fair value adjustments of hedging instruments	0	0	0
Tax of entries on equity	0	0	0
Transfer to reserves	0	0	230.464
Profit/loss for the year	0	66.141	0
Equity end of year	2.439.522	66.141	543.710
		Retained earnings DKK	Total DKK
Equity beginning of year		6.510.644	9.263.412
Fair value adjustments of hedging instruments		46.446	46.446
Tax of entries on equity		10.219	10.219
Transfer to reserves		(230.464)	0
Profit/loss for the year		3.551.698	3.617.839
Equity end of year		9.888.543	12.937.916

Notes

	2018	2017
	DKK	DKK
1. Staff costs		
Wages and salaries	8.934.184	7.645.787
Pension costs	627.354	503.301
Other social security costs	213.731	159.624
	9.775.269	8.308.712
Average number of employees	24	20
	2018	2017
	DKK	DKK
2. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	289.276	285.219
Impairment losses on intangible assets	0	14.568
Depreciation of property, plant and equipment	242.064	222.379
Profit/loss from sale of intangible assets and property, plant and equipment	(90.792)	0
	440.548	522.166
	2018	2017
	DKK	DKK
3. Other financial income		
Other interest income	116	1.725
Other financial income	1.742	1.018
	1.858	2.743
	2018	2017
	DKK	DKK
4. Other financial expenses		
Other interest expenses	13.415	91.713
Exchange rate adjustments	102.063	27.324
	115.478	119.037

Notes

	2018	2017
	DKK	DKK
5. Tax on profit/loss for the year		
Current tax	1.012.402	566.005
Change in deferred tax	(16.681)	275.714
Adjustment concerning previous years	(8.885)	0
	986.836	841.719

	Completed develop- ment projects DKK	Acquired patents DKK	Develop- ment projects in progress DKK
6. Intangible assets			
Cost beginning of year	8.146.578	622.160	21.100
Additions	0	5.809	102.957
Cost end of year	8.146.578	627.969	124.057
Amortisation and impairment losses beginning of year	(7.313.309)	(321.703)	0
Amortisation for the year	(260.268)	(29.008)	0
Amortisation and impairment losses end of year	(7.573.577)	(350.711)	0
Carrying amount end of year	573.001	277.258	124.057

Development projects

Completed development projects include development and test of the "Hall Project" and "Con60". The Costs consist of external consultancy and in-house costs such as payroll and indirect production costs, which are recognised in the company's internal project ledger. "Con60" was completed at the end of 2016, and the "Hall Project" was finished and put into use in July 2017. The amortisation period of both projects is five years, and they are expected to have significant competitive advantages down the road.

Ongoing development costs cover an updated TÜV approval of the Company's products and an upgrade for the C4 controller system. These projects are expected to be completed before the end of 2019.

Management has not identified any indication of impairment compared to the carrying amount.

Notes

	Other fixtures and fittings, tools and equipment DKK	Leasehold improve- ments DKK
7. Property, plant and equipment		
Cost beginning of year	2.744.942	782.736
Additions	495.389	223.366
Disposals	(390.480)	0
Cost end of year	<u>2.849.851</u>	<u>1.006.102</u>
Depreciation and impairment losses beginning of year	(2.318.510)	(415.100)
Depreciation for the year	(106.184)	(135.880)
Reversal regarding disposals	221.274	0
Depreciation and impairment losses end of year	<u>(2.203.420)</u>	<u>(550.980)</u>
Carrying amount end of year	<u>646.431</u>	<u>455.122</u>
		Invest- ments in group enterprises DKK
8. Fixed asset investments		
Cost beginning of year		475.683
Cost end of year		<u>475.683</u>
Revaluations beginning of year		(23.606)
Amortisation of goodwill		(56.332)
Share of profit/loss for the year		146.079
Revaluations end of year		<u>66.141</u>
Carrying amount end of year		<u>541.824</u>

	Registered in	Corpo- rate form	Equity inte- rest %
Investments in group enterprises comprise:			
Multiform Concens GmbH	Flensburg	GmbH	100,0

Notes

	2018	2017
	DKK	DKK
9. Deferred tax		
Intangible assets	198.213	228.365
Property, plant and equipment	(28.213)	(36.079)
Receivables	18.219	22.833
	188.219	215.119

10. Financial instruments

Other receivables include negative fair value of forward exchange contracts at DKK 4t. Currency forward contracts are entered into hedge foreign currency risk on future purchases in USD for at total of USD 79t (DKK 515t). The fair value adjustment is recognized in equity and expected to be realized and recognized in income after the balance sheet date. The forward exchange switch has a duration of 4 months. Currency forward contracts are entered into with the company's usual bank.

	2018	2017
	DKK	DKK
11. Unrecognised rental and lease commitments		
Liabilities under rental or lease agreements until maturity in total	355.000	0

12. Contingent liabilities

The Entity participates in a Danish joint taxation arrangement in which E. Bank Lauridsen Holding A/S serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc. for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The total known net liability under the joint taxation arrangement is disclosed is evident from the administration company's financial statements.

The Company has been sued for DKK 1,516t by a distributor as a part of a complaint. The amount includes costs for the products, direct and indirect costs due to damage caused by the products, commercial damage etc. The management's assessment is that the customer has used the products in an inappropriate way. In the annual report, the management has allocated expenses which correspond to the management's expectations on financial consequences if the law suit is lost. The amount is limited to the costs of new products and the management does not expect further losses.

Notes

13. Assets charged and collateral

To secure bank guarantees movable property owner's mortgage nom. DKK 1,500 t. by mortgages in patens and movable property owner's mortgage nom. DKK 2,000 t. by mortgages in operating equipment, inventories and unsecured claims.

The carrying value of pledged patens represent DKK 277t. and the carrying value of mortgaged assets, inventories and unsecured claims amounts to DKK 12,299t.

UDKAST

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C.

The accounting policies applied to these financial statements are consistent with those applied last year.

Consolidated financial statements

Referring to section 110 of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

When recognising foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date. Goodwill is considered belonging to the independent foreign entity and is translated using the exchange rate at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates as well as out of the translation of

Accounting policies

income statements from average rates to the exchange rates at the balance sheet date are classified directly as equity.

Exchange adjustments of outstanding accounts with independent foreign subsidiaries, which are considered part of the total investment in the subsidiary in question, are classified directly as equity.

When recognising foreign subsidiaries that are integral entities, monetary assets and liabilities are translated using the exchange rates at the balance sheet date. Non-monetary assets and liabilities are translated at the exchange rate at the time of acquisition or the time of any subsequent revaluation or write-down. The items of the income statement are translated at the average rates of the months; however, items deriving from non-monetary assets and liabilities are translated using the historical rates applicable to the relevant non-monetary items.

Derivative financial instruments

On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value. Derivative financial instruments are recognised under other receivables or other payables.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging the fair value of a recognised asset or a recognised liability are recorded in the income statement together with changes in the value of the hedged asset or the hedged liability.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging future transactions are recognised directly in equity. When the hedged transactions are realised, the accumulated changes are recognised as part of cost of the relevant financial statement items.

For derivative financial instruments that do not comply with the requirements for being treated as hedging instruments, changes in fair value are recognised currently in the income statement as financial income or financial expenses.

Changes in the fair value of derivative financial instruments applied for hedging net investments in independent foreign subsidiaries or associates are classified directly as equity.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, changes in inventories of finished goods and work in progress, own work capitalised, other operating income, cost of raw materials and consumables and external expenses.

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Accounting policies

Costs of raw materials and consumables

Costs of raw materials and consumables comprise the consumption of raw materials and consumables for the financial year after adjustment for changes in inventories of these goods from the beginning to the end of the year. This item includes shrinkage, if any, and ordinary writedowns of the relevant inventories.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of intra-group profits or losses.

Other financial income

Other financial income comprises dividends etc received on other investments, interest income and amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Financial expenses from group enterprises

Financial expenses from group enterprises comprise interest expenses etc from payables to group enterprises.

Other financial expenses

Other financial expenses comprise interest expenses and amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The Entity is jointly taxed with all Danish group enterprises. 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).

Accounting policies

Balance sheet

Intellectual property rights etc

Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred less deferred tax is taken to equity under Reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. If the useful life cannot be estimated reliably, it is fixed at 10 years. 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 years.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised over their remaining duration, and licences are amortised over the term of the agreement.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation. For self-constructed assets, cost comprises direct and indirect costs of materials, components, sub-suppliers and labour costs.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	3-5 years

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

Estimated useful lives and residual values are reassessed annually.

Accounting policies

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Investments in group enterprises

Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus unamortised goodwill and plus or minus unrealised intra-group profits or losses.

Group enterprises with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation will involve a loss, a provision is recognised that is measured at present value of the costs necessary to settle the obligations at the balance sheet date.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to Reserve for net revaluation according to the equity method under equity.

Goodwill is the positive difference between cost and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. The amortisation periods used are 5 years.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

Inventories

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

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

Accounting policies

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset or the planned settlement of each liability.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Other provisions

Other provisions comprise anticipated costs of lawsuit in progress.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

Income tax receivable or payable

Current tax receivable or payable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.