
EPOKE A/S

Vejenvej 50, DK-6600 Vejen

Annual Report for 1 March 2023 - 29 February 2024

CVR No. 14 12 53 45

The Annual Report was
presented and adopted
at the Annual General
Meeting of the
company
on 28/6 2024

Kristian la Cour
Chairman of the
general meeting



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Management's statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of EPOKE A/S for the financial year 1 March 2023 - 29 February 2024.

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 29 February 2024 of the Company and of the results of the Company operations for 2023/24.

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

Vejen, 24 June 2024

Executive Board

Peter Bjørn Bertelsen
Executive Officer

Board of Directors

Carsten Bjerg
Chairman

Thomas Marstrand
Vice chairman

Johanne Christiane Frazer Riegels
Østergård

Kristian la Cour

Dan Johannsen

Jan Palmer Christiansen

Independent Auditor's report

To the shareholder of EPOKE A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 29 February 2024 and of the results of the Company's operations for the financial year 1 March 2023 - 29 February 2024 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of EPOKE A/S for the financial year 1 March 2023 - 29 February 2024, which comprise income statement, balance sheet, statement of changes in equity 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' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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.

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.

Independent Auditor's report

Auditor's responsibilities for the audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events 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.

Odense, 24 June 2024

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Henrik Forthoft Lind
State Authorised Public Accountant
mne34169

Brian Petersen
State Authorised Public Accountant
mne33722

Company information

The Company	EPOKE A/S Vejenvej 50 6600 Vejen CVR No: 14 12 53 45 Financial period: 1 March 2023 - 29 February 2024 Incorporated: 1 May 1990 Financial year: 34th financial year Municipality of reg. office: Vejen
Board of Directors	Carsten Bjerg, chairman Thomas Marstrand, vice chairman Johanne Christiane Frazer Riegels Østergård Kristian la Cour Dan Johannsen Jan Palmer Christiansen
Executive Board	Peter Bjørn Bertelsen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Herredsvej 32 DK-7100 Vejle

Financial Highlights

Seen over a 5-year period, the development of the Company is described by the following financial highlights:

	2023/24	2022/23	2021/22	2020/21	2019/20
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Revenue	221,293	207,791	198,846	198,761	195,737
Gross profit	95,745	83,491	77,159	77,492	87,156
Profit/loss of primary operations	37,319	22,149	12,349	11,165	16,986
Profit/loss of financial income and expenses	6,338	-1,913	-2,670	-1,844	-856
Net profit/loss for the year	35,289	18,252	7,268	7,068	7,862
Balance sheet					
Balance sheet total	173,637	159,290	139,554	181,295	168,007
Investment in property, plant and equipment	623	449	0	1,706	1,810
Equity	112,794	90,757	73,136	110,103	103,797
Number of employees	106	114	135	131	134
Ratios					
Gross margin	43.3%	40.2%	38.8%	39.0%	44.5%
Profit margin	16.9%	10.7%	6.2%	5.6%	8.7%
Return on assets	21.5%	13.9%	8.8%	6.2%	10.1%
Solvency ratio	65.0%	57.0%	52.4%	60.7%	61.8%
Return on equity	34.7%	22.3%	7.9%	6.6%	7.9%

In connection with changes to accounting policies, the comparative figures for 2019/20, 2020/21 and 2021/22 have not been restated. See the description under accounting policies.

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the CFA Society Denmark.

Management's review

Key activities

The primary activities of the Epoke A/S are to develop, manufacture, market and sell Epoke and Snowline machinery. Epoke A/S products are sold through own companies in Denmark and Germany. Sales and marketing in other markets are based on partnerships with dealers based in the respective countries. Focusing on the customer and in co-operation with dealers, Epoke A/S markets Epoke winter road maintenance products together with Snowline snow removal equipment. Epoke A/S aims to become the industry's best-known brand and to be a market leader in selected segments. Epoke A/S develops and manufactures state-of-the-art salt and liquid spreaders together with Snowline snow removal equipment that meet the customers' requirements in terms of service, quality and economic life costs.

Development in the year

The income statement of the Company for 2023/24 shows a profit of TDKK 35,289, and at 29 February 2024 the balance sheet of the Company shows a positive equity of TDKK 112,794.

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

Targets and expectations for the year ahead

Management expects earnings before interest, tax, depreciation and amortization (EBITDA) to be on level with last year adjusted for the positive one-off effect of closing down the sweeper activity.

Research and development

Epoke A/S is among the absolute market leaders when it comes to spreaders for winter road clearance. Epoke A/S has won this position through persistent and targeted development efforts as regards spreaders and related electronic products. Epoke A/S protects its development projects by taking out patents, if appropriate. Epoke A/S intends to sustain its position by continuously adding the resources required and staying focused on road clearance. The product portfolio is characterized by high performance, low service costs, high quality of products and in particular innovative solutions.

External environment

Epoke A/S holds a clean environment approval and is ISO 14001 certified. Epoke A/S is compliant with applicable environmental law etc. and has not received any complaints or claims relating to non-compliance with environmental rules on the part of its foreign subsidiaries.

Intellectual capital resources

Epoke A/S aims to be an attractive workplace with motivated and committed staff. To ensure continued motivation and strong commitment on the part of staff, work at Epoke A/S is performed based on corporate values enabling the individual staff member to make his or her own decisions. The management philosophy is freedom with responsibility. Epoke A/S has formulated a senior policy and is locally known for its efforts to retain senior staff as well as other social activities.

Uncertainty relating to recognition and measurement

There has been no uncertainty regarding recognition and measurement in the Annual Report.

Unusual events

The financial position at 29 February 2024 of the Epoke A/S and the results of the activities and cash flows of Epoke A/S for the financial year for 2023/24 have to some extent been positively affected by closing down the sweeper activity in a subsidiary (in the range of TDKK 5,000).

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income statement 1 March 2023 - 29 February 2024

	Note	2023/24	2022/23
		TDKK	TDKK
Gross profit		95,745	83,491
Staff expenses	1	-55,736	-58,059
Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment	2	-2,690	-3,283
Profit/loss before financial income and expenses		37,319	22,149
Income from investments in subsidiaries		7,252	-1,367
Financial income	3	1,194	1,045
Financial expenses	4	-2,108	-1,591
Profit/loss before tax		43,657	20,236
Tax on profit/loss for the year	5	-8,368	-1,984
Net profit/loss for the year	6	35,289	18,252

Balance sheet 29 February 2024

Assets

	Note	2023/24	2022/23
		TDKK	TDKK
Completed development projects		0	0
Goodwill		334	584
Intangible assets	7	334	584
Land and buildings		2,870	3,722
Plant and machinery		1,776	2,238
Other fixtures and fittings, tools and equipment		380	883
Leasehold improvements		0	0
Property, plant and equipment	8	5,026	6,843
Investments in subsidiaries	9	11,261	2,859
Deposits	10	61	61
Fixed asset investments		11,322	2,920
Fixed assets		16,682	10,347
Raw materials and consumables		32,608	35,323
Work in progress		17,186	18,302
Finished goods and goods for resale		20,525	29,498
Inventories		70,319	83,123
Trade receivables		24,014	23,176
Receivables from group enterprises		22,447	35,967
Other receivables		775	604
Prepayments	11	2,076	1,238
Receivables		49,312	60,985
Cash at bank and in hand		37,324	4,835
Current assets		156,955	148,943
Assets		173,637	159,290

Balance sheet 29 February 2024

Liabilities and equity

	Note	2023/24	2022/23
		TDKK	TDKK
Share capital		15,000	15,000
Reserve for hedging transactions		0	-3
Retained earnings		97,794	75,760
Equity		112,794	90,757
Other provisions	12	2,551	2,676
Provisions		2,551	2,676
Other payables		6,129	5,924
Long-term debt	13	6,129	5,924
Prepayments received from customers		547	879
Trade payables		17,008	19,419
Payables to group enterprises		17,222	16,677
Payables to group enterprises relating to corporation tax		8,674	4,895
Other payables	13,14	8,712	18,063
Short-term debt		52,163	59,933
Debt		58,292	65,857
Liabilities and equity		173,637	159,290
Contingent assets, liabilities and other financial obligations	15		
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Statement of changes in equity

	Share capital	Reserve for hedging transactions	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK
Equity at 1 March	15,000	-3	75,760	90,757
Extraordinary dividend paid	0	0	-13,250	-13,250
Fair value adjustment of hedging instruments, beginning of year	0	4	-4	0
Tax on adjustment of hedging instruments for the year	0	-1	1	0
Other equity movements	0	0	-2	-2
Net profit/loss for the year	0	0	35,289	35,289
Equity at 29 February	15,000	0	97,794	112,794

Notes to the Financial Statements

	2023/24	2022/23
	TDKK	TDKK
1. Staff Expenses		
Wages and salaries	50,191	53,098
Pensions	4,740	4,080
Other social security expenses	805	881
	<u>55,736</u>	<u>58,059</u>

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

Average number of employees	<u>106</u>	<u>114</u>
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	2023/24	2022/23
	TDKK	TDKK
2. Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment		
Amortisation of intangible assets	250	250
Depreciation of property, plant and equipment	2,440	3,017
Gain and loss on disposal	0	16
	<u>2,690</u>	<u>3,283</u>

	2023/24	2022/23
	TDKK	TDKK
3. Financial income		
Interest received from group enterprises	330	659
Other financial income	864	386
	<u>1,194</u>	<u>1,045</u>

	2023/24	2022/23
	TDKK	TDKK
4. Financial expenses		
Interest paid to group enterprises	594	385
Other financial expenses	1,514	1,206
	<u>2,108</u>	<u>1,591</u>

Notes to the Financial Statements

	2023/24	2022/23
	TDKK	TDKK
5. Income tax expense		
Current tax for the year	8,368	1,984
	8,368	1,984
	2023/24	2022/23
	TDKK	TDKK
6. Profit allocation		
Extraordinary dividend paid	13,250	0
Retained earnings	22,039	18,252
	35,289	18,252
7. Intangible fixed assets		
	Completed development projects	Goodwill
	TDKK	TDKK
Cost at 1 March	759	2,400
Cost at 29 February	759	2,400
Impairment losses and amortisation at 1 March	759	1,816
Impairment losses for the year	0	250
Impairment losses and amortisation at 29 February	759	2,066
Carrying amount at 29 February	0	334

Notes to the Financial Statements

8. Property, plant and equipment

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improve- ments
	TDKK	TDKK	TDKK	TDKK
Cost at 1 March	33,666	40,554	11,883	83
Additions for the year	0	623	0	0
Cost at 29 February	<u>33,666</u>	<u>41,177</u>	<u>11,883</u>	<u>83</u>
Impairment losses and depreciation at 1 March	29,944	38,316	11,000	83
Depreciation for the year	852	1,085	503	0
Impairment losses and depreciation at 29 February	<u>30,796</u>	<u>39,401</u>	<u>11,503</u>	<u>83</u>
Carrying amount at 29 February	<u>2,870</u>	<u>1,776</u>	<u>380</u>	<u>0</u>

Notes to the Financial Statements

	2023/24	2022/23
	TDKK	TDKK
9. Investments in subsidiaries		
Cost at 1 March	27,688	27,687
Cost at 29 February	27,688	27,687
Value adjustments at 1 March	-27,285	-26,096
Exchange adjustment	1	-22
Net profit/loss for the year	6,968	-48
Amortisation of goodwill	-546	-546
Change in intercompany profit on inventories	829	-573
Other adjustments	1,076	0
Value adjustments at 29 February	-18,957	-27,285
Equity investments with negative net asset value amortised over receivables	2,530	2,457
Carrying amount at 29 February	11,261	2,859

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Ownership
Afred Thomsen GmbH	Eichenzell, Germany	100%
Epoke Maschinenbau GmbH & Co. KG	Eichenzell, Germany	100%
Epoke Sp. z.o.o.	Warszawa, Poland	100%
Brodd Sweden AB	Sweden	100%
Brodd Polonia Sp. z.o.o.	Poland	100%

Notes to the Financial Statements

10. Other fixed asset investments

	Deposits
	TDKK
Cost at 1 March	61
Cost at 29 February	61
Carrying amount at 29 February	61

Prepayments

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

11. Prepayments

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

12. Other provisions

	2023/24	2022/23
	TDKK	TDKK
Provision for service liability	1,252	1,371
Provision for warranties	1,144	1,150
Other provisions	155	155
	2,551	2,676

The provisions are expected to mature as follows:

Provisions falling due after 5 years	0	0
	0	0

Notes to the Financial Statements

2023/24	2022/23
TDKK	TDKK

13. 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:

Other payables

After 5 years	0	5,924
Between 1 and 5 years	6,129	0
Long-term part	6,129	5,924
Other short-term payables	8,712	18,063
	14,841	23,987

2023/24	2022/23
TDKK	TDKK

14. Derivative financial instruments

Derivative financial instruments contracts in the form of interest rate swaps have been concluded. At the balance sheet date, the fair value of derivative financial instruments amounts to:

Liabilities	0	-4
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Interest rate swap has been entered into in order to hedge the interest risk involved in bank loans until maturity. The fair value of the interest rate swap amounts to DKK 0k at 29.02.2024 and has been recognised as other payable. The interest rate swap guarantees a fixed interest rate.

2023/24	2022/23
TDKK	TDKK

15. Contingent assets, liabilities and other financial obligations

Charges and security

The following assets have been placed as security with bankers:

Mortgage deeds registered to the mortgagor totalling kDKK 38,000, providing security on land and buildings as well as other property, plant and equipment at a total carrying amount of:	2,870	3,722
Floating charge registered to the bank totalling kDKK 30,000, providing security on inventory, trade receivables, other receivables, as well as plant and equipment at a total carrying amount of	98,965	110,024

Notes to the Financial Statements

2023/24	2022/23
TDKK	TDKK

15. Contingent assets, liabilities and other financial obligations

Contingent assets

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

16. Related parties and disclosure of consolidated financial statements

	<u>Basis</u>
Controlling interest	
Epoke Investment II A/S	Parent
Epoke Investment III A/S	Ultimate Parent

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

No such transactions were conducted during the financial year.

Consolidated Financial Statements

The Company is included in the group report for the Parent Company

<u>Name</u>	<u>Place of registered office</u>
Epoke Investment II A/S	Gentofte
Epoke Investment III A/S	Gentofte

17. Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Notes to the Financial Statements

18. Accounting policies

The Annual Report of EPOKE A/S for 2023/24 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 2023/24 are presented in TDKK.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements for 2023/24 of Epoke Investment III A/S, the Company has not prepared consolidated financial statements.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of Epoke Investment III A/S, the Company has not prepared a cash flow statement.

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

All 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.

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.

Notes to the Financial Statements

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are classified as "Other receivables" and "Other payables", respectively.

Changes in the fair values of derivative financial instruments are recognised in the income statement unless the derivative financial instrument is designated and qualify as hedge accounting.

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

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

Expenses for raw materials and consumables

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

Other external expenses

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

Gross profit

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.

Notes to the Financial Statements

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.

Income from investments in subsidiaries

The item "Income from investments in subsidiaries" in the income statement includes the proportionate share of the profit for the year.

Financial income and expenses

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

Tax on profit/loss for the year

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

The Company is jointly taxed with the Parent Company. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

Balance sheet

Intangible fixed assets

Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over its useful life, which is assessed at 5 year.

Development costs and costs relating to rights developed by the Company are recognised in the income statement as costs in the year of acquisition.

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.

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 buildings	7-33 years
Plant and machinery	3-10 years
Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	7 years

The fixed assets' residual values are determined at nil.

Notes to the Financial Statements

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment and investments 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.

Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method.

The item “Investments in subsidiaries” in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to “Reserve for net revaluation under the equity method“ under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Other fixed asset investments

Other fixed asset investments consist of deposits.

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 and costs of completion. 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 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 measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Prepayments

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

Equity

Dividend

Notes to the Financial Statements

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

Provisions

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

Other provisions include warranty obligations in respect of repair work within the warranty period of 1-3 years. Provisions are measured and recognised based on experience with guarantee work.

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, including the tax base of tax loss carry-forwards, 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.

Financial liabilities

Loans 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.

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

Financial Highlights

Explanation of financial ratios

Return on assets	$\text{Profit/loss of ordinary primary operations} \times 100 / \text{Total assets at year end}$
Solvency ratio	$\text{Equity at year end} \times 100 / \text{Total assets at year end}$
Return on equity	$\text{Net profit for the year} \times 100 / \text{Average equity}$