

# Bodycote Varmebehandling A/S

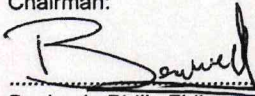
Industribuen 16-18, 5592 Ejby

CVR no. 16 26 15 13

## Annual report 2023

This annual report has been adopted at the Company's annual general meeting on 28 June 2024

Chairman:



.....

Benjamin Philip Fidler

# **Bodycote Varmebehandling A/S**

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# **Bodycote Varmebehandling A/S**

## **Company Information**

### **The company**

Bodycote Varmebehandling A/S  
Industribuen 16-18  
5592 Ejby  
Hjemsted / Registered office: Ejby  
CVR-nr. / CVR no.: 16 26 15 13  
Regnskabsår / Financial year: 01.01 - 31.12

### **Executive Board**

Nils Mikael Fällström

### **Board of Directors**

Benjamin Philip Fidler  
Michael Harkcom  
Petr Jelínek  
Kim Frisesdahl Jensen  
Flemming Kristensen

### **Auditors**

PricewaterhouseCoopers

## Bodycote Varmebehandling A/S

### Statement by the Executive Board and Board of Directors on the annual report

We have on this day presented the annual report for the financial year 01.01.23 - 31.12.23 for Bodycote Varmebehandling A/S.

The annual report is presented in accordance with the Danish Financial Statements Act (Års-regnskabsloven)

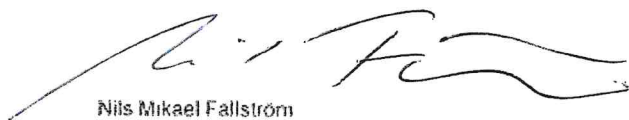
In our opinion, the financial statements give a true and fair view of the company's assets, liabilities and financial position as at 31.12.23 and of the results of the company's activities for the financial year 01.01.23 - 31.12.23.

We believe that the management's review includes a fair review of the matters dealt with in the management's review.

The annual report is submitted for adoption by the general meeting.

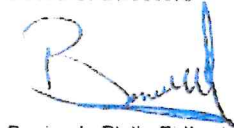
Ejby.

#### Executive Board



Nils Mikael Fallström

#### Board of Directors




Benjamin Philip Fidler (chairman)



Michael Harkcom

Herrnk Engelbrecht Hansen



Petr Jelínek

Kim Frisesdahl Jensen

## **Bodycote Varmebehandling A/S**

### **Statement by the Executive Board and Board of Directors on the annual report**

We have on this day presented the annual report for the financial year 01.01.23 - 31.12.23 for Bodycote Varmebehandling A/S.

The annual report is presented in accordance with the Danish Financial Statements Act (Års-regnskabsloven).

In our opinion, the financial statements give a true and fair view of the company's assets, liabilities and financial position as at 31.12.23 and of the results of the company's activities for the financial year 01.01.23 - 31.12.23.

We believe that the management's review includes a fair review of the matters dealt with in the management's review.

The annual report is submitted for adoption by the general meeting.

Ejby,

#### **Executive Board**

Nils Mikael Fällström

#### **Board of Directors**

Benjamin Philip Fidler (chairman)

Michael Harkcom

  
Flemming Kristensen

Petr Jelinek

  
Kim Frisesdahl Jensen

## **Bodycote Varmebehandling A/S**

### **Independent auditor's report To the shareholders of Bodycote Varmebehandling A/S**

#### **Opinion**

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 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.

We have audited the Financial Statements of Bodycote Varmebehandling A/S for the financial year 1 January - 31 December 2023, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("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 the 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.

## **Bodycote Varmebehandling A/S**

### **Independent auditor's report To the shareholders of Bodycote Varmebehandling A/S**

#### **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.
- 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, 28 June 2024

#### **PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab  
CVR no. 33 77 12 31



Claus Damhave

State Authorized Public Accountant  
mne34166

## Bodycote Varmebehandling A/S

### Management's review

#### Financial highlights for the Group

31 December

DKK 000	2023	2022	2021	2020	2019
<b>Key figures</b>					
Gross profit	84,963	64,242	67,513	60,177	68,353
Index	124	94	99	88	100
Operating profit	53,917	28,109	29,779	12,052	22,164
Index	243	127	134	54	100
Profit/loss from net financials	445	(32)	(87)	67	(18)
Index	(2,472)	178	483	(372)	100
Profit/loss for the year	42,103	21,907	23,207	9,645	17,513
Index	240	125	133	55	100
Total assets	84,689	87,859	71,466	84,893	117,407
Index	72	75	61	72	100
Investments in items of property, plant and equipment	7,593	3,915	20,610	4,065	6,804
Index	112	58	303	60	100
Equity	64,876	69,172	47,265	64,058	99,413
Index	65	70	48	64	100
<b>Financial ratios</b>					
Return on equity	63.0 %	38.0 %	42.0 %	12.0 %	12.0 %
Return on assets	64.0 %	32.0 %	42.0 %	14.0 %	10.0 %

Average number of full-time employees	49	57	61	61	69
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The financial ratios stated under "Financial highlights" have been calculated as follows:

Return on equity	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$
Return on assets	$\frac{\text{Profit before Financial income} \times 100}{\text{Total assets}}$



## **Bodycote Varmebehandling A/S**

### **Management commentary**

#### **Primary activities**

The company's activities relate to heat and surface treatment of steel and metal.

#### **Development in activities and financial affairs**

The income statement for the period 01.01.23 -31.12.23 shows a profit of DKK 42,103,287 against DKK 21,907,091 for the period 01.01.22 -31.12.22. The balance sheet shows equity of DKK 64,875,608.

The results and financial development of the Company is considered satisfactory despite being lower than budget. The year end result for 2023 was impacted by the sale of a property in Herlev. In 2023 we could see a more stable energy market versus 2022 but the general economic environment is still affected by the Ukraine war. Fluctuating volumes as well as material sourcing issues at our customers continued in 2023. The high inflation rate impacted consumable prices which also had an impact on the years' result.

#### **Outlook**

The company expects a positive profit development for 2024 in comparison to 2023.

A more stable energy market along with reduced rates of inflation should ensure some moderate volume growth from our major customers in 2024, although the future impact from the ongoing Ukraine war remains uncertain. The company has well established systems in place to cover any cost inflation.

Expectations are for profits of DKK 29m for the year ending 2024.

#### **External environment**

The company is focussed on impacts on the external environment and is certified under ISO 14001. It is also focussed on improving energy efficiency/reduction as well as overall reduced CO2 emissions. During the year under review, the company has worked on energy/CO2 reduction projects and successfully reduced CO2 emissions. Internal HS initiatives are continuously a focus area and several improvement projects have been conducted during the year.

The company has signed up voluntarily to the SBTi programme where it has set itself meaningful science based targets to work towards the 'Well Below 2 degrees' mantra.

#### **Events after the balance sheet date**

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

## Bodycote Varmebehandling A/S

### Income statement

	Note	2023 DKK	2022 DKK
<b>Gross profit</b>		84,922,414	64,242,407
Staff costs	1	(28,087,092)	(28,115,792)
<b>Profit before depreciation, amortisation, write-downs and impairment losses</b>		56,835,322	36,126,615
Depreciation and impairment losses		(2,850,482)	(7,678,507)
Other operating expenses		(68,288)	(339,513)
<b>Operating profit</b>		53,916,552	28,108,595
Financial income	2	591,036	150,142
Finance expenses		(145,885)	(181,765)
<b>Profit before tax</b>		54,361,703	28,076,972
Tax on profit	3	(12,258,416)	(6,169,881)
<b>Profit for the year</b>	4	42,103,287	21,907,091

## Bodycote Varmebehandling A/S

### Balance sheet

	2023	2022
Note	DKK	DKK
<b>ASSETS</b>		
Software	123,213	0
<b>Total intangible assets</b>	<u>123,213</u>	<u>0</u>
	5	
Land and buildings	12,303,130	25,576,379
Plant and machinery	26,363,601	25,681,463
Prepayments for property, plant and equipment	1,511,476	1,201,093
<b>Total property, plant and equipment</b>	<u>40,178,207</u>	<u>52,458,935</u>
	6	
<b>Total non-current assets</b>	<u>40,301,420</u>	<u>52,458,935</u>
Manufactured goods and goods for resale	306,564	569,322
<b>Total inventories</b>	<u>306,564</u>	<u>569,322</u>
Trade receivables	14,339,957	14,642,179
Receivables from other group subsidiaries	27,636,634	17,730,501
Other receivables	588,139	0
Prepayments	1,026,452	823,298
<b>Total receivables</b>	<u>43,591,182</u>	<u>33,195,978</u>
	7	
<b>Cash</b>	<u>490,100</u>	<u>1,634,549</u>
<b>Total current assets</b>	<u>44,387,846</u>	<u>35,399,849</u>
<b>TOTAL ASSETS</b>	<u><b>84,689,266</b></u>	<u><b>87,858,784</b></u>

## Bodycote Varmebehandling A/S

### Balance sheet

	Note	2023 DKK	2022 DKK
<b>EQUITY AND LIABILITIES</b>			
Share capital	8	13,000,000	13,000,000
Retained earnings		11,875,608	9,772,321
Proposed dividend for the year		40,000,000	46,400,000
<b>Total equity</b>		<b>64,875,608</b>	<b>69,172,321</b>
Deferred tax	9	2,487,940	1,928,925
Other provisions	10	367,157	367,157
<b>Total long-term liabilities</b>		<b>2,855,097</b>	<b>2,296,082</b>
Bank debt		0	432,299
Trade payables		0	4,083,647
Payables to other group subsidiaries		1,133,945	332,111
Income taxes		8,888,629	3,277,660
Other payables		6,935,987	8,264,664
<b>Total short-term payables</b>		<b>16,958,561</b>	<b>16,390,381</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>84,689,266</b>	<b>87,858,784</b>

## Bodycote Varmebehandling A/S

### Statement of changes in equity

DKK	Share Capital	Profit and loss account	Dividend proposed for the year	Total equity
Balance at 01.01.23	13,000,000	9,772,321	46,400,000	69,172,321
Net profit for the year	0	2,103,287	40,000,000	42,103,287
Dividend distribution	0	0	-46,400,000	-46,400,000
Balance at 31.12.23	13,000,000	11,875,608	40,000,000	64,875,608

## Bodycote Varmebehandling A/S

### Notes to the Financial Statements

#### 1. Staff costs

	2023 DKK	2022 DKK
Wages and salaries	24,405,079	24,638,970
Pensions	2,468,003	2,109,834
Other social security costs	169,738	176,553
Other staff costs	1,044,272	1,190,435
	<u>28,087,092</u>	<u>28,115,792</u>
Average number of full-time employees	49	57

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

#### 2. Financial income

	2023 DKK	2022 DKK
Interest income from other group subsidiaries	591,036	150,142
	<u>591,036</u>	<u>150,142</u>

#### 3. Tax on profit for the year

	2023 DKK	2022 DKK
Current tax charge for the year	11,699,402	5,939,824
Adjustment of deferred tax for the year	559,015	333,721
Adjustment of tax in respect of previous years	0	(103,664)
	<u>12,258,417</u>	<u>6,169,881</u>

#### 4. Proposed appropriation account

	2023 DKK	2022 DKK
<b><i>Recommended appropriation of profit</i></b>		
Dividend proposed for the year	40,000,000	46,400,000
Retained earnings	2,103,287	(24,492,909)
	<u>42,103,287</u>	<u>21,907,091</u>

## Bodycote Varmebehandling A/S

### Notes to the Financial Statements

#### 5. Intangible assets

DKK	Software
Cost at 01.01.23	0
Additions	130,166
Cost at 31.12.23	<u>130,166</u>
Amortisation and impairment losses at 01.01.23	0
Charge for the year	6,953
Amortisation and impairment losses at 31.12.23	<u>6,953</u>
Carrying amount at 31.12.23	<u>123,213</u>

#### 6. Property, plant and equipment

DKK	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Prepayments for property plant and equipment	Total
Cost at 01.01.23	72,121,454	166,062,605	9,812,508	1,201,093	249,197,660
Additions	2,270,880	5,191,733	0	310,379	7,772,992
Disposals	(47,500,918)	(61,132,370)	0	0	(108,633,288)
Cost at 31.12.23	<u>26,891,416</u>	<u>110,121,968</u>	<u>9,812,508</u>	<u>1,511,472</u>	<u>148,337,364</u>
Depreciation/Impairment losses at 01.01.23	46,545,075	140,381,142	9,812,508	0	196,738,725
Depreciation	1,704,542	5,607,162	0	0	7,311,704
Disposals	(33,661,335)	(62,229,937)	0	0	(95,891,272)
Depreciation/impairment losses at 31.12.23	<u>14,588,282</u>	<u>83,758,367</u>	<u>9,812,508</u>	<u>0</u>	<u>108,159,157</u>
Carrying amount at 31.12.23	12,303,134	26,363,601	0	1,511,472	40,178,207

#### 7. Prepayments

	2023 DKK	2022 DKK
Prepaid insurance premiums	578,315	288,269
Prepaid rent	10,716	0
Other prepayments	437,421	535,029
	<u>1,026,452</u>	<u>823,298</u>

## Bodycote Varmebehandling A/S

### Notes to the Financial Statements

#### 8. Share capital

	2023 DKK	2022 DKK
<i>The share capital comprises:</i>		
Share capital	13,000,000	13,000,000
	<u>13,000,000</u>	<u>13,000,000</u>

The share capital has been fully paid in at the balance sheet date.

#### 9. Deferred tax

	2023 DKK	2022 DKK
Deferred tax at 01.01.23	1,928,925	1,595,204
Deferred tax recognised in the income statement	559,015	333,721
Deferred tax at 31.12.23	<u>2,487,940</u>	<u>1,928,925</u>

#### 10. Other provisions

	2023 Warranty provision DKK
Provisions at 01.01.23	<u>367,157</u>
Provisions at 31.12.23	<u>367,157</u>

#### 11. Contractual obligations and contingencies, etc.

##### Operating lease commitments

The company has concluded lease agreements with terms to maturity of 39 months and total lease payments of DKK 651.458. Of this, DKK 306.365 is due within 1 year.

#### 12. Related parties

Controlling influence	Basis of influence
Bodycote International Ltd	Immediate Parent company

Related party transactions are not disclosed, as all transactions are entered into in the ordinary course of business at arms' length.



## **Bodycote Varmebehandling A/S**

### **Notes to the Financial Statements**

#### **12. Related parties (continued)**

The company is included in the Group Annual report of the Parent Company of the largest and smallest group:

**Name**

Bodycote plc

**Place of registered office**

Springwood Court, Springwood Close, Tytherington Business Park, Macclesfield, Cheshire, UK SK10 2XF, England.

Remuneration for management is specified in note 1. Staff costs.

#### **13. Accounting policies**

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act (Årsregnskabsloven) for medium-sized enterprises in reporting class C.

The accounting policies have been applied consistently with previous years.

**Basis of recognition and measurement**

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including depreciation, amortisation, impairment losses and write-downs, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company, and the value of such assets can be measured reliably. Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company, and the value of such liabilities can be measured reliably. On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

On recognition and measurement, account is taken of foreseeable losses and risks arising before the date at which the annual report is presented and proving or disproving matters arising on or before the balance sheet date.

**Currency**

The annual report is presented in Danish kroner (DKK).

On initial recognition, transactions denominated in foreign currencies are translated using the exchange rates applicable at the transaction date. Exchange rate differences between the exchange rate applicable at the transaction date and the exchange rate at the date of payment are recognised in the income statement as a financial item.

Receivables, payables and other monetary items denominated in foreign currencies are translated using the exchange rates applicable at the balance sheet date. The difference between the exchange rate applicable at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest annual report is recognised under financial income or expenses in the income statement.

Fixed assets, inventories and other non-monetary assets acquired in foreign currencies are translated using historical exchange rates.

**Leases**

Lease payments relating to operating leases are recognised in the income statement on a straight-line basis over the lease term.

# Bodycote Varmebehandling A/S

## Notes to the Financial Statements

### 13. Accounting policies (continued)

#### 13.1 Income statement

##### (a) Gross profit

Gross profit comprises revenue, other operating income, property costs and raw materials and consumables and other external expenses.

##### (b) Revenue

Income from the sale of goods is recognised in the income statement if delivery has taken place and the risk has passed to the buyer before the end of the financial year and where the selling price can be determined reliably and is expected to be paid. Revenue is measured at fair value and is determined exclusive of VAT and other taxes collected on behalf of third parties and less discounts.

##### (c) Other operating income

Other operating income comprises income of a secondary nature in relation to the enterprise's activities, including rental income, negative goodwill and gains on the sale of intangible assets and property, plant and equipment.

##### (d) Costs of raw materials and consumables

Costs of raw materials and consumables comprise raw materials and consumables used for the year as well as any changes in inventories, including any inventory wastage.

Write-downs of inventories of raw materials and consumables are also recognised under raw materials and consumables to the extent that these do not exceed normal write-downs.

##### (e) Property costs

Property costs comprise costs relating to property management, including repair and maintenance costs, real property taxes, insurance, overhead costs and other costs

##### (f) Other external expenses

Other external expenses comprise costs relating to distribution, sales and advertising and administration, premises and bad debts to the extent that these do not exceed normal writedowns.

##### (g) Staff costs

Staff costs comprise wages and salaries as well as other staff-related costs.

##### (h) Depreciation and impairment losses

The depreciation of property, plant and equipment aim at systematic depreciation over the expected useful lives of the assets. Assets are depreciated according to the straight-line method based on the following expected useful lives and residual values:

	Useful lives, years	Residual value (DKK)
Goodwill		0
Buildings	50	0
Plant and machinery	5-20	0
Other plant, fixtures and fittings, tools and equipment	2-5	0

## **Bodycote Varmebehandling A/S**

### **Notes to the Financial Statements**

#### **13. Accounting policies (continued)**

##### **(h) Depreciation and impairment losses (continued)**

Land is not depreciated.

The basis of depreciation is the cost of the asset less the expected residual value at the end of the useful life. Moreover, the basis of depreciation is reduced by any impairment losses. The useful life and residual value are determined when the asset is ready for use and reassessed annually.

Property, plant and equipment are impaired in accordance with the accounting policies referred to in the 'Impairment losses on fixed assets' section.

##### **(i) Other operating expenses**

Other operating expenses comprise costs of a secondary nature in relation to the enterprise's activities, including costs relating to rental activities and losses on the sale of intangible assets and property, plant and equipment

##### **(j) Other net financials**

Interest income and interest expenses, foreign exchange gains and losses on transactions denominated in foreign currencies etc. are recognised in other net financials

##### **(k) Tax for the year**

The current and deferred tax for the year is recognised in the income statement as tax on the profit/loss for the year with the portion attributable to the profit/loss for the year, and directly in equity with the portion attributable to amounts recognised directly in equity.

#### **13.2 Balance sheet**

##### **(a) Property, plant and equipment**

Property, plant and equipment comprise land and buildings, plant and machinery as well as other fixtures and fittings, tools and equipment.

Property, plant and equipment are measured in the balance sheet at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and expenses resulting directly from the purchase until the asset is ready for use. Interest on loans arranged to finance production is not included in the cost.

The total cost of an asset is decomposed into separate components that are depreciated separately if the useful lives of the individual components vary.

Property, plant and equipment are depreciated using the straight-line method based on useful lives and residual values, which are stated in the 'Depreciation and impairment losses' section.

##### *Prepayments for property, plant and equipment*

Prepayments for property, plant and equipment comprise prepayments to suppliers

##### *Gains and losses on the disposal of property, plant and equipment*

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal less any costs of disposal

## **Bodycote Varmebehandling A/S**

### **Notes to the Financial Statements**

#### **13. Accounting policies (continued)**

##### **(a) Property, plant and equipment (continued)**

###### **Impairment losses on fixed assets**

The carrying amount of fixed assets which are not measured at fair value is assessed annually for indications of impairment over and above what is reflected in depreciation.

If the company's realised return on an asset or a group of assets is lower than expected, this is considered an indication of impairment.

If there are indications of impairment, an impairment test is conducted of individual assets or groups of assets.

The assets or groups of assets are impaired to the lower of recoverable amount and carrying amount.

The higher of net selling price and value in use is used as the recoverable amount. The value in use is determined as the present value of expected net cash flows from the use of the asset or group of assets as well as expected net cash flows from the sale of the asset or group of assets after the expiry of their useful lives.

Impairment losses are reversed when the reasons for the impairment no longer exist.

##### **(b) Inventories**

Inventories are measured at cost calculated according to the FIFO-method. Inventories are written down to the lower of cost and net realisable value.

The cost of raw materials and consumables as well as goods for resale is determined as purchase prices plus expenses resulting directly from the purchase.

The cost of manufactured finished goods and work in progress is determined as the value of direct material and labour costs. Interest on loans arranged to finance production is not included in the cost.

The net realisable value of inventories is determined as the selling price less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and the expected development in the selling price.

##### **(c) Receivables**

Receivables are measured at amortised cost, which usually corresponds to the nominal value, less write-downs for bad debts.

Write-downs for bad debts are determined based on an individual assessment of each receivable if there is no objective evidence of individual impairment of a receivable.

##### **(d) Prepayments**

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

##### **(e) Cash**

Cash includes deposits in bank account

##### **(f) Equity**

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

## **Bodycote Varmebehandling A/S**

### **Notes to the Financial Statements**

#### **13. Accounting policies (continued)**

##### **(g) Provisions**

Other provisions comprise expected expenses incidental to warranty commitments, restructuring etc. and are recognised when the company has a legal or constructive obligation at the balance sheet date and it is probable that such obligation will draw on the financial resources of the company.

Provisions are measured at net realisable value or fair value if the provision is expected to be settled over the longer term.

Warranty commitments comprise the obligation to repair defective work within the warranty period of 1-5 years. Warranty commitments are measured at net realisable value and recognised based on previous years' experience with warranty work.

##### **(h) Current and deferred tax**

Current tax payable and receivable is recognised in the balance sheet as tax computed on the basis of the taxable income for the year, adjusted for tax paid on account.

Deferred tax liabilities and tax assets are recognised on the basis of all temporary differences between the carrying amounts and tax bases of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is non-amortisable for tax purposes and other items where temporary differences, except for acquisitions, have arisen at the date of acquisition without affecting the net profit or loss for the year or the taxable income.

In cases where the tax value can be determined according to different taxation rules, deferred tax is measured on the basis of management's intended use of the asset or settlement of the liability.

Deferred tax assets are recognised, following an assessment, at the expected realisable value through offsetting against deferred tax liabilities or elimination in tax on future earnings.

Deferred tax is measured on the basis of the tax rules and at the tax rates which, according to the legislation in force at the balance sheet date, will be applicable when the deferred tax is expected to crystallise as current tax.

##### **(i) Payables**

Long-term payables are measured at cost at the time of contracting such liabilities (raising of the loan). The payables are subsequently measured at amortised cost where capital losses and loan expenses are recognised in the income statement as a financial expense over the term of the payable on the basis of the calculated effective interest rate in force at the time of contracting the liability.

Short-term payables are measured at amortised cost, normally corresponding to the nominal value of such payables.

##### **(j) Deferred income**

Deferred income under liabilities comprises payments received in respect of income in subsequent financial years.

#### **13.3 Cash flow statement**

Referring to section 86(4) of the Danish Financial Statements Act a cash flow statement has not been prepared as the enterprise is included in the consolidated cash flow statement.