



Belman A/S

Oddesundvej 18
6715 Esbjerg N
CVR No. 17694235

Annual report 01.10.2020 - 30.09.2021

The Annual General Meeting adopted the
annual report on 03.02.2022

Jacob Mou
Conductor

Contents

Entity details	2
Statement by Management	3
Independent auditor's report	4
Management commentary	7
Income statement for 2020/21	10
Balance sheet at 30.09.2021	11
Statement of changes in equity for 2020/21	13
Notes	14
Accounting policies	19

Entity details

Entity

Belman A/S

Oddesundvej 18

6715 Esbjerg N

Business Registration No.: 17694235

Registered office: Esbjerg

Financial year: 01.10.2020 - 30.09.2021

Phone number: +4575155999

URL: www.belman.com

E-mail: belman@belman.com

Board of Directors

Jacob Mou, Chairman

Henrik Mou

Christian Mou

Executive Board

Rolf Rasmussen

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Dokken 8

6701 Esbjerg

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of Belman A/S for the financial year 01.10.2020 - 30.09.2021.

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 30.09.2021 and of the results of its operations and cash flows for the financial year 01.10.2020 - 30.09.2021.

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, 03.02.2022

Executive Board

Rolf Rasmussen

Board of Directors

Jacob Mou
Chairman

Henrik Mou

Christian Mou

Independent auditor's report

To the shareholders of Belman A/S

Opinion

We have audited the financial statements of Belman A/S for the financial year 01.10.2020 - 30.09.2021, 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 30.09.2021 and of the results of its operations for the financial year 01.10.2020 - 30.09.2021 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 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.

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.

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.

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, 03.02.2022

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Mikael Grosbøl

State Authorised Public Accountant
Identification No (MNE) mne33707

Management commentary

Financial highlights

	2020/21 DKK'000	2019/20 DKK'000	2018/19 DKK'000	2017/18 DKK'000	2016/17 DKK'000
Key figures					
Gross profit/loss	63,051	76,452	67,250	50,210	45,406
Operating profit/loss	11,103	23,446	14,083	1,520	1,793
Net financials	(195)	(389)	118	(105)	(65)
Profit/loss for the year	8,158	17,430	10,864	365	988
Total assets	63,074	66,476	60,192	52,633	40,035
Investments in property, plant and equipment	2,956	1,653	3,647	1,295	1,357
Equity	34,485	41,098	34,064	24,112	26,315
Average invested capital incl goodwill	27,670	26,735	28,651	24,832	20,500
Net interest-bearing debt	(6,327)	(16,698)	4,676	(10,662)	(1,131)
Average number of employees	87	95	90	85	84
Ratios					
Return on invested capital incl goodwill (%)	40.13	87.70	49.15	6.12	8.75
Financial gearing	(0.18)	(0.41)	0.14	(0.44)	(0.04)
Return on equity (%)	21.59	46.38	37.35	1.45	3.79
Equity ratio (%)	54.67	61.82	56.59	45.81	65.73

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

Return on invested capital incl goodwill (%):

EBITA * 100

Average invested capital incl goodwill

Financial gearing :

Net interest-bearing debt

Equity

Return on equity (%):

Profit/loss for the year * 100

Average equity

Equity ratio (%):

Equity * 100

Total assets

Primary activities

The Company's main activity is design, manufacturing and sale of steel expansion joints as well as complementary products as rubber and fabric bellows, steel hoses etc. The products are used to absorb movements mainly caused by thermal fluctuations in pipe systems, vibrations and also help to reduce pressure thrust forces in pressurized systems and equipment.

The products are mainly sold to energy, steel, oil & gas and chemical sector as well as industrial processing plants, vessels piping systems and pharmaceutical plants.

Development in activities and finances

The financial year 2020/21 turned out to be satisfying for Belman A/S. The Company realised a profit of DKK 8,158k for the year against a profit of DKK 17,430k for 2019/20.

Following the profit, equity comes to DKK 34,485k.

Profit/loss for the year in relation to expected developments

Due to a positive market development, the result for the year is approx. 6 mDKK better than expected.

Outlook

A profit of 4-6 mDKK is expected for the financial year 2021/22.

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 2020/21

	Notes	2020/21 DKK	2019/20 DKK
Gross profit/loss		63,051,458	76,452,175
Staff costs	2	(50,412,969)	(51,505,338)
Depreciation, amortisation and impairment losses	3	(1,535,156)	(1,500,940)
Operating profit/loss		11,103,333	23,445,897
Income from investments in group enterprises		(358,258)	(568,452)
Other financial income		6,473	0
Other financial expenses	4	(201,366)	(388,865)
Profit/loss before tax		10,550,182	22,488,580
Tax on profit/loss for the year	5	(2,392,000)	(5,059,000)
Profit/loss for the year	6	8,158,182	17,429,580

Balance sheet at 30.09.2021

Assets

	Notes	2020/21 DKK	2019/20 DKK
Completed development projects	8	251,172	158,464
Development projects in progress	8	0	246,946
Intangible assets	7	251,172	405,410
Other fixtures and fittings, tools and equipment		5,327,710	4,063,820
Leasehold improvements		0	0
Property, plant and equipment in progress		930,130	703,971
Property, plant and equipment	9	6,257,840	4,767,791
Investments in group enterprises		4,282,592	3,826,566
Financial assets	10	4,282,592	3,826,566
Fixed assets		10,791,604	8,999,767
Raw materials and consumables		14,560,083	14,625,377
Inventories		14,560,083	14,625,377
Trade receivables		12,347,841	12,314,683
Contract work in progress	11	5,903,582	4,845,429
Receivables from group enterprises		1,822,937	1,479,018
Other receivables		3,162,212	744,738
Prepayments	12	493,554	547,649
Receivables		23,730,126	19,931,517
Cash		13,991,793	22,919,233
Current assets		52,282,002	57,476,127
Assets		63,073,606	66,475,894

Equity and liabilities

	Notes	2020/21 DKK	2019/20 DKK
Contributed capital	13	5,000,000	5,000,000
Reserve for net revaluation according to the equity method		0	29,918
Reserve for development expenditure		195,914	0
Retained earnings		24,288,852	21,067,818
Proposed dividend		5,000,000	15,000,000
Equity		34,484,766	41,097,736
Deferred tax	14	336,000	49,000
Other provisions	15	499,916	572,285
Provisions		835,916	621,285
Lease liabilities		602,326	825,076
Other payables		2,876,968	4,589,774
Non-current liabilities other than provisions	16	3,479,294	5,414,850
Current portion of non-current liabilities other than provisions	16	222,750	218,426
Bank loans		56,267	16,582
Prepayments received from customers		214,288	456,773
Trade payables		6,885,362	4,431,472
Payables to group enterprises		7,326,766	2,592,307
Tax payable		2,105,000	5,191,000
Other payables		7,463,197	6,435,463
Current liabilities other than provisions		24,273,630	19,342,023
Liabilities other than provisions		27,752,924	24,756,873
Equity and liabilities		63,073,606	66,475,894
Uncertainty relating to recognition and measurement	1		
Unrecognised rental and lease commitments	17		
Contingent liabilities	18		
Non-arm's length related party transactions	19		
Group relations	20		

Statement of changes in equity for 2020/21

	Contributed capital DKK	Reserve for net revaluation according to the equity method DKK	Reserve for development expenditure DKK	Retained earnings DKK	Proposed dividend DKK
Equity beginning of year	5,000,000	29,918	0	21,067,818	15,000,000
Ordinary dividend paid	0	0	0	0	(15,000,000)
Exchange rate adjustments	0	228,848	0	0	0
Transfer to reserves	0	0	195,914	(195,914)	0
Profit/loss for the year	0	(258,766)	0	3,416,948	5,000,000
Equity end of year	5,000,000	0	195,914	24,288,852	5,000,000

	Total DKK
Equity beginning of year	41,097,736
Ordinary dividend paid	(15,000,000)
Exchange rate adjustments	228,848
Transfer to reserves	0
Profit/loss for the year	8,158,182
Equity end of year	34,484,766

Notes

1 Uncertainty relating to recognition and measurement

In one of the subsidiaries a customer has raised a claim against the subsidiary. The management considers the claim to be unfounded. If the claim against expectation has negative consequences, the valuation of the subsidiary can be negative effected.

2 Staff costs

	2020/21	2019/20
	DKK	DKK
Wages and salaries	46,369,903	47,386,836
Pension costs	3,213,026	3,566,277
Other social security costs	830,040	552,225
	50,412,969	51,505,338
Average number of full-time employees	87	95

	Remuneration of Management 2020/21 DKK	Remuneration of Management 2019/20 DKK
Total amount for management categories	2,169,404	3,355,935
	2,169,404	3,355,935

3 Depreciation, amortisation and impairment losses

	2020/21	2019/20
	DKK	DKK
Amortisation of intangible assets	191,638	380,318
Depreciation of property, plant and equipment	1,384,626	1,120,622
Profit/loss from sale of intangible assets and property, plant and equipment	(41,108)	0
	1,535,156	1,500,940

4 Other financial expenses

	2020/21	2019/20
	DKK	DKK
Financial expenses from group enterprises	0	783
Other interest expenses	106,478	93,126
Exchange rate adjustments	94,888	294,956
	201,366	388,865

5 Tax on profit/loss for the year

	2020/21 DKK	2019/20 DKK
Current tax	2,105,000	5,191,000
Change in deferred tax	287,000	(132,000)
	2,392,000	5,059,000

6 Proposed distribution of profit and loss

	2020/21 DKK	2019/20 DKK
Ordinary dividend for the financial year	5,000,000	15,000,000
Retained earnings	3,158,182	2,429,580
	8,158,182	17,429,580

7 Intangible assets

	Completed development projects DKK	Development projects in progress DKK
Cost beginning of year	1,901,586	246,946
Transfers	246,946	(246,946)
Additions	37,400	0
Cost end of year	2,185,932	0
Amortisation and impairment losses beginning of year	(1,743,122)	0
Amortisation for the year	(191,638)	0
Amortisation and impairment losses end of year	(1,934,760)	0
Carrying amount end of year	251,172	0

8 Development projects

The development project consists of a simplified offer- and calculation software, which will be available to customers and internal sales agents, and provide these with the opportunity to calculate and prepare offers on the smaller projects. The software will at the same time form the basis of the new catalogue.

The name of the software is Belmaker Light, which indicates the software is a variant of the company's existing calculation- and offer-preparing software.

Expenses include essentially internal costs pertaining to salaries to the involved development engineers and IT-responsible.

The object of the software is to increase efficiency regarding preparing of offers, and to increase the visibility of the company towards new and existing customer segments.

Development projects includes also implementation of IPW, which is used for lawful maintenance of tools and machines, handling complaints and competence management.

9 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK	Property, plant and equipment in progress DKK
Cost beginning of year	36,209,573	236,948	703,971
Transfers	703,971	0	(703,971)
Additions	2,025,437	0	930,130
Disposals	(737,499)	0	0
Cost end of year	38,201,482	236,948	930,130
Depreciation and impairment losses beginning of year	(32,145,753)	(236,948)	0
Depreciation for the year	(1,384,626)	0	0
Reversal regarding disposals	656,607	0	0
Depreciation and impairment losses end of year	(32,873,772)	(236,948)	0
Carrying amount end of year	5,327,710	0	930,130
Recognised assets not owned by entity	992,000	0	0

10 Financial assets

	Investments in group enterprises DKK
Cost beginning of year	3,796,648
Additions	657,744
Cost end of year	4,454,392
Revaluations beginning of year	29,918
Exchange rate adjustments	228,848
Share of profit/loss for the year	(358,258)
Investments with negative equity value depreciated over receivables	(72,308)
Revaluations end of year	(171,800)
Carrying amount end of year	4,282,592

Investments in subsidiaries	Registered in	Corporate form	Equity interest %
Belman UK Ltd.	United Kingdom	Ltd	100
LLC Belman Russia	Russia	LLC	75
Belman Design ApS	Esbjerg	ApS	100
Belman Flexibles India Private Ltd.	India	Ltd	99,99

11 Contract work in progress

	2020/21 DKK	2019/20 DKK
Contract work in progress	9,758,000	6,783,000
Progress billings regarding contract work in progress	(3,854,418)	(1,937,571)
	5,903,582	4,845,429

12 Prepayments

Prepayments comprise incurred costs relating to subsequent financial years

13 Share capital

	Number	Par value DKK	Nominal value DKK
Ordinary shares	5,000	1000	5,000,000
	5,000		5,000,000

14 Deferred tax

	2020/21 DKK	2019/20 DKK
Intangible assets	5,000	35,000
Property, plant and equipment	(188,000)	(320,000)
Receivables	629,000	334,000
Provisions	(110,000)	0
Deferred tax	336,000	49,000

Changes during the year	2020/21 DKK
Beginning of year	49,000
Recognised in the income statement	287,000
End of year	336,000

15 Other provisions

Other provisions is expected warranty provisions.

16 Non-current liabilities other than provisions

	Due within 12 months 2020/21 DKK	Due within 12 months 2019/20 DKK	Due after more than 12 months 2020/21 DKK
Lease liabilities	222,750	218,426	602,326
Other payables	0	0	2,876,968
	222,750	218,426	3,479,294

17 Unrecognised rental and lease commitments

	2020/21 DKK	2019/20 DKK
Liabilities under rental or lease agreements until maturity in total	1,226,630	1,140,156
Liabilities under rental agreements or leases with group enterprises until expiry	1,162,959	1,140,156

18 Contingent liabilities

	2020/21 DKK	2019/20 DKK
Recourse and non-recourse guarantee commitments	4,219,066	680,893
Contingent liabilities	4,219,066	680,893

A dispute with a business partner has not been settled yet. Management estimates the subject matter of the case to be up to DKK 1,000,000, but the basis remains uncertain and it is similarly uncertain that the matter will be closed in 2022.

The Entity participates in a Danish joint taxation arrangement with Mou Holding A/S serving 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 also for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities.

19 Non-arm's length related party transactions

Only related party transactions not conducted on an arm's length basis are disclosed in the annual report. No such transactions have been conducted in the financial year.

20 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:
Mou Holding A/S, Lyngby-Taarbæk.

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
Mou Holding A/S, Lyngby-Taarbæk.

Accounting policies

Reporting class

This annual report has been prepared in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

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

Consolidated financial statements

Referring to section 112 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. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates and out of the translation of income statements from average rates to the exchange rates at the balance sheet date are classified directly as equity.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, cost of sales and other 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.

Contract work in progress is included in revenue based on the stage of completion so that revenue corresponds to the selling price of the work performed in the financial year (the percentage-of-completion method).

Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

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, and 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 comprise depreciation, amortisation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of 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 exchange gains on securities, payables and transactions in foreign currencies.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital losses payables and transactions in foreign currencies,

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 the parent and all the parents 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).

Balance sheet

Intellectual property rights etc

Intellectual property rights etc comprise development projects completed.

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.

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. The amortisation periods used are 5 years.

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

Property, plant and equipment

Other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

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	3-14 years
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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.

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.

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 in equity.

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.

Contract work in progress

Contract work in progress is measured at the selling price of the work carried out at the balance sheet date.

The selling price is measured based on the stage of completion and the total estimated income from the individual contracts in progress. Usually, the stage of completion is determined as the ratio of actual to total budgeted consumption of resources.

If the selling price of a project in progress cannot be made up reliably, it is measured at the lower of costs incurred and net realisable value.

Each contract in progress is recognised in the balance sheet under receivables or liabilities other than provisions, depending on whether the net value, calculated as the selling price less prepayments received, is positive or negative.

Costs of sales work and of securing contracts, and finance costs are recognised in the income statement as incurred.

Prepayments

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

Cash

Cash comprises cash in hand and bank deposits.

Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity.

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. However, no deferred tax is recognised for amortisation of goodwill disallowed for tax purposes and temporary differences arising at the date of acquisition that do not result from a business combination and that do not have any effect on profit or loss or on taxable income.

Other provisions

Other provisions comprise anticipated costs of non-recourse guarantee commitments.

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.

Non-recourse guarantee commitments comprise commitments to remedy defects and deficiencies within the guarantee period.

Once it is probable that total costs will exceed total income from a contract in progress, provision is made for the total loss estimated to result from the relevant contract.

Finance lease liabilities

Lease liabilities relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease liabilities are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

Operating leases

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

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.

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.

Cash flow statement

The cash flow statement is excluded because it is included in the consolidated cash flow statement in Mou Holding A/S.