BESKO A/S

Logistikparken 24, DK-8220 Brabrand

Annual Report for 2022

CVR No. 20 86 21 81

The Annual Report was presented and adopted at the Annual General Meeting of the company on 3/5 2023

Peter Christian Kierkegaard
Chairman of the general meeting

Contents

	Page
Management's Statement and Auditor's Report	
Management's statement	1
Independent Auditor's report	2
Management's Review	
Company information	4
Financial Highlights	5
Management's review	6
Financial Statements	
Income statement 1 January - 31 December	8
Balance sheet 31 December	9
Statement of changes in equity	11
Notes to the Financial Statements	12

Management's statement

The Executive Board and Board of Directors have today considered and adopted the Financial Statements of BESKO A/S for the financial year 1 January - 31 December 2022.

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 31 December 2022 of the Company and of the results of the Company operations for 2022.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Financial Statements be adopted at the Annual General Meeting.

Brabrand, 3 May 2023

Executive Board

Thorsten Winterberg
Manager

Board of Directors

Tobias Wiedeking Chairman	Peter Christian Kierkegaard	Markus Schell

Independent Auditor's report

To the shareholder of BESKO 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 2022 and of the results of the Company´s operations for the financial year 1 January - 31 December 2022 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of BESKO A/S for the financial year 1 January - 31 December 2022, 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.

Trekantområdet, 3 May 2023

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Jan Bunk Harbo Larsen	Henrik Junker Andersen
State Authorised Public Accountant	State Authorised Public Accountant
mne30224	mne42818

Company information

The Company	BESKO A/S Logistikparken 24 DK-8220 Brabrand CVR No: 20 86 21 81 Financial period: 1 January - 31 December Municipality of reg. office: Aarhus
Board of Directors	Tobias Wiedeking, chairman Peter Christian Kierkegaard Markus Schell
Executive board	Thorsten Winterberg
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Herredsvej 32 7100 Vejle

Financial Highlights

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

	2022	2021	2020	2019	2018
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Revenue	358,185	324,430			
Gross profit/loss	77,127	67,686	57,067	56,933	57,063
Profit/loss of ordinary primary operations	28,896	23,908	11,951	1,539	10,702
Profit/loss of financial income and expenses	-3,403	-3,071	-24,152	-21,155	-7,796
Net profit/loss	19,453	17,713	-14,621	-19,782	898
Balance sheet					
Balance sheet total	201,709	185,469	157,411	178,114	136,747
Investment in property, plant and equipment	7,144	353	681	314	896
Equity	104,503	85,140	67,337	81,957	67,702
Ratios					
Return on assets	14.3%	12.9%	7.6%	0.8%	7.8%
Solvency ratio	51.8%	45.9%	42.8%	46.0%	49.5%
Return on equity	20.5%	23.2%	-19.6%	-26.4%	1.3%

See the description under accounting policies.

Management's review

Key activities

The main activity of the company is selling components, spare parts and accessories for heavy vehicles and busses. The majority of the components sold are imported.

Development in the year

The income statement of the Company for 2022 shows a profit of TDKK 19,453, and at 31 December 2022 the balance sheet of the Company shows positive equity of TDKK 104,503.

It is the view of the management that all important statements for judging the financial position and the result of the year appear from the annual report and this statement.

The impact on the result from the German activities, has decreased from TDKK -1,876 in 2021 to TDKK -1,959 in 2022.

In the financial year 2022 there is a net profit after taxes of TDKK 19,453 compared with a net profit of TDKK 17,713 in 2021.

The equity end 2022 is TDKK 104,503 corresponding a solidity of 51.8 %, and the company is thus well equipped to deal with the challenges of the future.

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

It is the view of the management in consideration of above development, that the result in 2022 rose slightly above the expectations set in the prior year.

Market risks

Based on an expected weaker economic growth with increasing uncertainty, interest rates, and inflation a minor decline in the result for 2023 is expected.

Foreign exchange risks

The company imports most of its products and the purchase amount is mainly paid in Euro, whereas the turnover is made in DKK. No special activities are made to cover the possible Euro risk, as this is estimated to be limited.

Targets and expectations for the year ahead

In the budget for 2023 a minor deterioration of the result compared to 2022 is expected, from TDKK 19.453 to TDKK 18.000 in 2023, although a small increase in activity.

External environment

The management currently brings focus on unnecessary resource consumption and the general job satisfaction.

Intellectual capital resources

The management considers that the company is not vulnerable concerning this issue.

Statement of corporate social responsibility

For our statement on corporate social responsibility, we refer to our parent company, BPW Finans A/S (CVR No 19 20 11 12), annual report for 2022.

Statement on gender composition

Target for the Board of Directors
The three members of the Board of Directors are males. Thereby, Besko A/S did not reach the goal to have one woman on the Board by 2022. The goal was not met, as the new male member who have been elected is assessed to have the best qualifications. As the goal was not met, the company have chosen to set a new target, of one woman on the Board by 2024.

Policy for other management levels
It is the company's policy to increase the number of women in our management team, but under the primary condition always to hire the most competent candidate for the job.

In 2022 we have continued to ensure that both genders are offered the same opportunities to further educate themselves as well as we have continued to nudge female talent within our organization to seek out career opportunities when relevant. When using external recruiters, we require to receive a shortlist with both male and female candidates, and we generally strive for more women to enter into management. However, in 2022 too few management positions were vacant to show significant change in the overall gender split in our management team. We will continue our efforts in the years to come.

Statement on data ethics

For our statement on data ethics, we refer to our parent company, BPW Finans A/S (CVR No 19 20 11 12), annual report for 2022.

Income statement 1 January - 31 December

	Note	2022	2021
		TDKK	TDKK
Revenue	1	358,185	324,430
Other operating income		5	90
Expenses for raw materials and consumables		-246,379	-222,452
Other external expenses		-34,684	-34,382
Gross profit		**77,127**	**67,686**
Staff expenses	2	-46,069	-41,468
Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment		-2,157	-2,220
Profit/loss before financial income and expenses		**28,901**	**23,998**
Income from investments in subsidiaries		-1,959	-1,876
Financial income		1,371	543
Financial expenses	3	-2,815	-1,738
Profit/loss before tax		**25,498**	**20,927**
Tax on profit/loss for the year	4	-6,045	-3,214
Net profit/loss for the year	5	**19,453**	**17,713**

Balance sheet 31 December

Assets

	Note	2022	2021
		TDKK	TDKK
Completed development projects		790	513
Intangible assets	6	**790**	**513**
Land and buildings		22,513	24,024
Other fixtures and fittings, tools and equipment		1,398	1,343
Leasehold improvements		0	0
Property, plant and equipment in progress		6,527	0
Property, plant and equipment	7	**30,438**	**25,367**
Investments in subsidiaries	8	4,527	6,486
Other receivables	9	362	333
Fixed asset investments		**4,889**	**6,819**
Fixed assets		**36,117**	**32,699**
Finished goods and goods for resale		95,029	88,676
Inventories		**95,029**	**88,676**
Trade receivables		67,040	59,947
Receivables from group enterprises		365	1,084
Other receivables		1,793	1,687
Prepayments	10	1,365	1,376
Receivables		**70,563**	**64,094**
Current assets		**165,592**	**152,770**
Assets		**201,709**	**185,469**

Balance sheet 31 December

Liabilities and equity

	Note	2022	2021
		TDKK	TDKK
Share capital		5,600	5,600
Retained earnings		98,903	79,540
Equity		**104,503**	**85,140**
Provision for deferred tax	11	53	28
Provisions		**53**	**28**
Payables to group enterprises		46,000	0
Long-term debt	12	**46,000**	**0**
Trade payables		9,678	25,365
Payables to group enterprises		27,081	61,401
Corporation tax		8,409	4,938
Other payables		5,985	8,597
Short-term debt		**51,153**	**100,301**
Debt		**97,153**	**100,301**
Liabilities and equity		**201,709**	**185,469**

Contingent assets, liabilities and other financial obligations	13
Related parties	14
Subsequent events	15
Accounting Policies	16

Statement of changes in equity

	Share capital	Retained earnings	Total
	TDKK	TDKK	TDKK
Equity at 1 January	5,600	79,540	85,140
Fair value adjustment of hedging instruments, beginning of year	0	-116	-116
Tax on adjustment of hedging instruments for the year	0	26	26
Net profit/loss for the year	0	19,453	19,453
Equity at 31 December	**5,600**	**98,903**	**104,503**

Notes to the Financial Statements

	2022	2021
	TDKK	TDKK

1. Revenue

	2022 TDKK	2021 TDKK
Business segments		
After market	284,244	269,383
OE-Business (Original Equipment)	73,941	55,047
	358,185	**324,430**

	2022	2021
	TDKK	TDKK

2. Staff Expenses

	2022 TDKK	2021 TDKK
Wages and salaries	39,098	35,121
Pensions	4,758	4,697
Other social security expenses	280	267
Other staff expenses	1,933	1,383
	46,069	**41,468**
Including remuneration to the Executive Board and Board of Directors	**3,380**	**3,153**
Average number of employees	**82**	**78**

	2022	2021
	TDKK	TDKK

3. Financial expenses

	2022 TDKK	2021 TDKK
Interest paid to group enterprises	1,900	1,593
Other financial expenses	18	55
Exchange adjustments, expenses	897	90
	2,815	**1,738**

Notes to the Financial Statements

	2022	2021
	TDKK	TDKK

4. Income tax expense

	2022 TDKK	2021 TDKK
Current tax for the year	5,994	4,939
Deferred tax for the year	25	110
Adjustment of tax concerning previous years	0	-1,809
	6,019	**3,240**
thus distributed:		
Income tax expense	6,045	3,214
Tax on equity movements	-26	26
	6,019	**3,240**

	2022	2021
	TDKK	TDKK

5. Profit allocation

	2022 TDKK	2021 TDKK
Retained earnings	19,453	17,713
	19,453	**17,713**

6. Intangible fixed assets

	Completed development projects
	TDKK
Cost at 1 January	1,836
Additions for the year	359
Cost at 31 December	2,195
Impairment losses and amortisation at 1 January	1,322
Impairment losses for the year	83
Impairment losses and amortisation at 31 December	1,405
Carrying amount at 31 December	**790**

7. Property, plant and equipment

	Land and buildings	Other fixtures and fittings, tools and equipment	Leasehold improvements	Property, plant and equipment in progress
	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	40,550	12,298	1,468	0
Additions for the year	0	617	0	6,527
Cost at 31 December	40,550	12,915	1,468	6,527
Impairment losses and depreciation at 1 January	16,526	10,954	1,468	0
Depreciation for the year	1,511	563	0	0
Impairment losses and depreciation at 31 December	18,037	11,517	1,468	0
Carrying amount at 31 December	**22,513**	**1,398**	**0**	**6,527**

8. Investments in subsidiaries

	2022	2021
	TDKK	TDKK
Cost at 1 January	72,260	72,260
Cost at 31 December	72,260	72,260
Value adjustments at 1 January	-65,774	-63,898
Net profit/loss for the year	-1,959	-1,876
Value adjustments at 31 December	-67,733	-65,774
Carrying amount at 31 December	**4,527**	**6,486**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Ownership
BESKO Nutzfahrzeuge GmbH	Büdelsdorf	TEUR 4.000	100%

Notes to the Financial Statements

9. Other fixed asset investments

	Other receivables
	TDKK
Cost at 1 January	333
Additions for the year	29
Cost at 31 December	362
Carrying amount at 31 December	**362**

10. Prepayments

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

11. Provision for deferred tax

	2022	2021
	TDKK	TDKK
Deferred tax liabilities at 1 January	28	-82
Amounts recognised in the income statement for the year	25	110
Deferred tax liabilities at 31 December	**53**	**28**

Notes to the Financial Statements

12. 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:

	2022	2021
	TDKK	TDKK
Payables to group enterprises		
After 5 years	0	0
Between 1 and 5 years	46,000	0
Long-term part	46,000	0
Within 1 year	0	1
Other short-term debt to group enterprises	27,081	61,400
Short-term part	27,081	61,401
	73,081	**61,401**

13. Contingent assets, liabilities and other financial obligations

	2022	2021
	TDKK	TDKK
Rental and lease obligations		
Lease obligations under operating leases. Total future lease payments:		
Future lease and rent commitments until expiration	8,709	4,578
	8,709	**4,578**

Other contingent liabilities

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 BPW Finans 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.

	2022	2021
Including to group enterprises		
Rental and lease obligations	1,980	2,841

Notes to the Financial Statements

14. Related parties and disclosure of consolidated financial statements

	Basis
Controlling interest	
BPW Bergische Achsen, Wiehl, Germany	Ultimate parent
Other related parties	
Tobias Wiedeking	Board member
Peter Christian Kierkegaard	Board member
Markus Schell	Board member

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.

Consolidated Financial Statements

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

Name	Place of registered office
BPW Finans A/S	Kolding, Denmark

15. Subsequent events

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

Notes to the Financial Statements

16. Accounting policies

The Annual Report of BESKO A/S for 2022 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2022 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 2022 of BPW Finans 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 BPW Finans 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.

Business combinations

Pooling of interests

Intragroup business combinations are accounted for under the pooling-of-interests method. Under this method, the two enterprises are combined at carrying amounts, and no differences are identified. Any consideration which exceeds the carrying amount of the acquired enterprise is recognised directly in equity. The pooling-of-interests method is applied at the date of acquisition, and comparative figures have not been restated.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses 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 transaction date rates are recognised in financial income and expenses in the income statement; however, see the section on hedge accounting.

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, see below.

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.

Segment information on revenue

Information on business segments is based on the Company´s risks and returns and its internal financial reporting system. Business segments are regarded as the primary segments.

Income statement

Net sales

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.

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 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, other operating income, 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.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale 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 deferred tax for the year. The tax attributable to the profit for 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 danish group entities. The tax effect of the joint taxation with the subsidiaries is allocated to Danish enterprises showing profits or losses in proportion to their taxable incomes (full allocation with credit for tax losses).

Balance sheet

Intangible fixed assets

Patents and licences are measured at the lower of cost less accumulated amortisation and recoverable amount. Patents are amortised over the remaining patent period, and licences are amortised over the licence period; however not exceeding 5 years.

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 contracted directly for financing the construction of property, plant and equipment are recognised in cost over the construction period.

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	25 years
Other fixtures and fittings, tools and equipment	3-5 years

Notes to the Financial Statements

Leasehold improvements	5 years

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 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 recognised in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

Prepayments

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

Notes to the Financial Statements

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 debts

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

Financial Highlights

Explanation of financial ratios

Return on assets	Profit before financials x 100 / Total assets at year end
Solvency ratio	Equity at year end x 100 / Total assets at year end
Return on equity	Net profit for the year x 100 / Average equity