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Qupaq ApS

Erhvervsparken 16
9700 Brønderslev
CVR No. 24211770

Annual report 2022

The Annual General Meeting adopted the annual report on 14.07.2023

Kim Weidemann
Chairman of the General Meeting

Contents

Entity details

Entity

Qupaq ApS

Erhvervsparken 16

9700 Brønderslev

Business Registration No.: 24211770

Registered office: Brønderslev

Financial year: 01.01.2022 - 31.12.2022

Board of Directors

Mikki Nielsen

Kim Weidemann

Nikolaj Rud Lindholm

Executive Board

Kim Weidemann

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
City Tower, Værkmestergade 2
8000 Aarhus C

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of Qupaq ApS for the financial year 01.01.2022 - 31.12.2022.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2022 and of the results of its operations for the financial year 01.01.2022 - 31.12.2022.

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.

Brønderslev, 14.07.2023

Executive Board

Kim Weidemann

Board of Directors

Mikki Nielsen

Kim Weidemann

Nikolaj Rud Lindholm

Independent auditor's report

To the shareholders of Qupaq ApS

Opinion

We have audited the financial statements of Qupaq ApS for the financial year 01.01.2022 - 31.12.2022, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2022 and of the results of its operations for the financial year 01.01.2022 - 31.12.2022 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board 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.

Aarhus, 14.07.2023

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Henrik Vedel
State Authorised Public Accountant
Identification No (MNE) mne10052

Jakob Olesen
State Authorised Public Accountant
Identification No (MNE) mne34492

Management commentary

Financial highlights

	2022 DKK'000	2021 DKK'000	2020 DKK'000	2019 DKK'000	2018 DKK'000
Key figures					
Gross profit/loss	41,260	75,115	53,280	71,815	63,613
Operating profit/loss	(7,400)	28,760	16,779	31,243	23,415
Net financials	(1,094)	(461)	(540)	771	(494)
Profit/loss for the year	(4,046)	23,799	12,088	25,119	17,882
Total assets	104,689	121,159	74,901	80,471	88,004
Investments in property, plant and equipment	517	536	822	1,604	384
Equity	20,299	57,935	41,527	52,538	57,420
Ratios					
Return on equity (%)	(10.34)	47.86	25.70	45.69	36.89
Equity ratio (%)	19.39	47.82	55.44	65.29	65.25

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

Return on equity (%):
Profit/loss for the year * 100
Average equity

Equity ratio (%):
Equity * 100
Total assets

Primary activities

QUPAQ is the trusted partner for reliable and hygienic tray denesting and handling solutions for producers, integrators, and resellers globally – enabling safe, simple, and profitable operations. With market leading technology & application know-how that caters for the customer's need to reduce manual labour with automated solutions.

Development in activities and finances

QUPAQ was rebranded from Intech after Carsoe Group A/S on 1 November 2021, had acquired all shares in Intech International A/S. The companies had overlapping businesses in the Food and Seafood segments and throughout the year, the group underwent a legal restructuring to establish two separate and streamlined businesses, where the food related activities are continuing in QUPAQ. As part of this restructuring, the activities in Norway and KM Fish A/S were transferred to Carsoe Seafood ApS. Costs in connection with rebranding and restructuring are included in the 2022 result.

The restructuring is expected to strengthen the market position and growth opportunities by allowing QUPAQ to concentrate on its area of expertise.

There has been conducted a strategic effort to combine the value propositions of the merged business and an ambitious sales growth roadmap is prepared for the coming years.

In 2022 QUPAQ has further build its preferred partner network and is now represented in 9 countries and has own sales companies in Germany and US. The US operations was established in 2022.

Throughout the year there has been both positive and negative impact from the Ukrainian conflict, mostly in the supply chain. These obstacles have been overcome.

Particular risks

Operating risks

QUPAQ's most significant operating risks relate to its ability to gain and retain client relations, key employees and always to be at the forefront of technological development within the Company's business areas.

Financial risks

The Group engages in purchases and sales in various currencies, exposing it to fluctuations in exchange rates. It is the Group's policy to hedge commercial exchange rate risks. This is primarily done through foreign exchange contracts on forecasted sales and purchases. However, the Group does not hedge the currency rate between Danish Krone (DKK) and the Euro (EUR) as this rate is fixed.

Currency adjustments of investments in subsidiaries which are independent entities are recognised directly in equity. As a main rule, related currency risks related to the investment in subsidiaries are not hedged, as the Group regards these are long-term strategic investments and not affected by short term fluctuations in currency rates.

Profit/loss for the year in relation to expected developments

Management considers the result of the year unsatisfactory and expects the coming year's result to be improved for the merged business.

Outlook

Profit for the coming financial year is expected to be better than 2022.

Knowledge resources

The Company's business foundation is to supply high-tech and reliable equipment and installations for packaging in the food industry. This places particularly high demands on our knowledge resources in the form of employee know-how and well-established business processes.

It is critical for QUPAQ to be able to recruit and retain highly educated and knowledgeable employees.

Environmental performance

QUPAQ has initiated an ESG process with external consultants to assess the current situation and to set ambitious targets. QUPAQ expects to have a clear action plan ready on how to obtain the targets set by the end of the year and furthermore plans to report on ESG from 2023.

Research and development activities

Our research and development activities are primarily carried out at the head office in Denmark. Development activities include the development of equipment and components for the processing of customers' products within the Group's business areas.

A total of 5 FTE’s allocated during the financial year on development activities, with a particular focus on standardisations, automation and leveraging the inhouse competences across all product capabilities.

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 2022

	Notes	2022 DKK	2021 DKK
Gross profit/loss		**41,259,711**	**75,115,290**
Staff costs	2	(47,491,269)	(45,084,235)
Depreciation, amortisation and impairment losses	3	(1,168,309)	(1,271,366)
Operating profit/loss		**(7,399,867)**	**28,759,689**
Income from investments in group enterprises		2,579,289	1,789,483
Other financial income	4	263,863	10,004
Other financial expenses	5	(1,357,785)	(471,318)
Profit/loss before tax		**(5,914,500)**	**30,087,858**
Tax on profit/loss for the year	6	1,868,634	(6,288,861)
Profit/loss for the year	7	**(4,045,866)**	**23,798,997**

Balance sheet at 31.12.2022

Assets

	Notes	2022 DKK	2021 DKK
Acquired patents		18,633,167	169,908
Development projects in progress	9	0	600,000
Intangible assets	8	**18,633,167**	**769,908**
Plant and machinery		70,835	135,825
Other fixtures and fittings, tools and equipment		1,779,354	2,882,524
Property, plant and equipment	10	**1,850,189**	**3,018,349**
Investments in group enterprises		5,322,131	20,015,278
Deposits		1,498,710	1,498,710
Financial assets	11	**6,820,841**	**21,513,988**
Fixed assets		**27,304,197**	**25,302,245**
Raw materials and consumables		24,295,887	18,299,254
Work in progress		2,295,782	2,516,279
Manufactured goods and goods for resale		8,611,844	12,765,799
Prepayments for goods		326,728	3,761,215
Inventories		**35,530,241**	**37,342,547**
Trade receivables		19,290,974	33,183,769
Contract work in progress	12	1,943,984	12,888,625
Receivables from group enterprises		13,254,577	3,770,470
Other receivables		4,893,873	4,538,047
Joint taxation contribution receivable		0	2,778,008
Prepayments	13	882,331	865,900
Receivables		**40,265,739**	**58,024,819**
Cash		**1,588,405**	**489,060**
Current assets		**77,384,385**	**95,856,426**
Assets		**104,688,582**	**121,158,671**

Equity and liabilities

	Notes	2022 DKK	2021 DKK
Contributed capital	14	501,000	501,000
Reserve for net revaluation according to the equity method		2,825,612	2,018,759
Reserve for development expenditure		0	468,000
Retained earnings		16,972,011	54,947,440
Equity		**20,298,623**	**57,935,199**
Deferred tax	15	111,011	4,946,000
Other provisions	16	1,018,264	936,788
Provisions		**1,129,275**	**5,882,788**
Lease liabilities		72,288	68,664
Other payables		903,478	2,534,089
Non-current liabilities other than provisions	17	**975,766**	**2,602,753**
Current portion of non-current liabilities other than provisions	17	1,292,951	36,344
Bank loans		1,832	5,438
Contract work in progress	12	9,493,055	11,585,282
Trade payables		8,979,439	20,012,461
Payables to group enterprises		56,007,473	17,975,489
Tax payable		0	36,173
Joint taxation contribution payable		2,315,528	0
Other payables		4,194,640	5,086,744
Current liabilities other than provisions		**82,284,918**	**54,737,931**
Liabilities other than provisions		**83,260,684**	**57,340,684**
Equity and liabilities		**104,688,582**	**121,158,671**
Events after the balance sheet date	1		
Unrecognised rental and lease commitments	18		
Contingent liabilities	19		
Assets charged and collateral	20		
Related parties with controlling interest	21		
Non-arm’s length related party transactions	22		
Group relations	23		

Statement of changes in equity for 2022

	Contributed capital DKK	Reserve for net revaluation according to the equity method DKK	Reserve for development expenditure DKK	Retained earnings DKK	Total DKK
Equity beginning of year	501,000	2,018,759	468,000	54,947,440	57,935,199
Effect of divestments of entities etc	0	0	0	(33,590,710)	(33,590,710)
Transfer to reserves	0	806,853	0	(806,853)	0
Dissolution of reserves	0	0	(468,000)	468,000	0
Profit/loss for the year	0	0	0	(4,045,866)	(4,045,866)
Equity end of year	**501,000**	**2,825,612**	**0**	**16,972,011**	**20,298,623**

Notes

1 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.

2 Staff costs

	2022 DKK	2021 DKK
Wages and salaries	44,144,166	42,079,914
Pension costs	2,945,257	2,581,914
Other social security costs	401,846	422,407
	47,491,269	**45,084,235**

Average number of full-time employees	**70**	**58**

	Remuneration of Management 2022 DKK	Remuneration of Management 2021 DKK
Total amount for management categories	3,502,898	2,032,676
	3,502,898	**2,032,676**

Referring to section 98b(3) of the Danish Financial Statements Act, total remuneration of management has been disclosed under one category in the financial year.

3 Depreciation, amortisation and impairment losses

	2022 DKK	2021 DKK
Amortisation of intangible assets	66,741	78,180
Depreciation of property, plant and equipment	1,060,290	1,204,186
Profit/loss from sale of intangible assets and property, plant and equipment	41,278	(11,000)
	1,168,309	**1,271,366**

4 Other financial income

	2022 DKK	2021 DKK
Other interest income	215,198	10,004
Other financial income	48,665	0
	263,863	**10,004**

5 Other financial expenses

	2022 DKK	2021 DKK
Financial expenses from group enterprises	1,137,307	110,014
Other interest expenses	68,728	336,304
Other financial expenses	151,750	25,000
	1,357,785	**471,318**

6 Tax on profit/loss for the year

	2022 DKK	2021 DKK
Current tax	2,279,355	2,521,997
Change in deferred tax	(4,147,989)	3,766,864
	(1,868,634)	**6,288,861**

7 Proposed distribution of profit and loss

	2022 DKK	2021 DKK
Extraordinary dividend distributed in the financial year	0	2,397,118
Retained earnings	(4,045,866)	21,401,879
	(4,045,866)	**23,798,997**

8 Intangible assets

	Acquired patents DKK	Development projects in progress DKK
Cost beginning of year	824,537	600,000
Disposals on divestments etc	0	(600,000)
Additions	18,530,000	0
Cost end of year	**19,354,537**	**0**
Amortisation and impairment losses beginning of year	(654,629)	0
Amortisation for the year	(66,741)	0
Amortisation and impairment losses end of year	**(721,370)**	**0**
Carrying amount end of year	**18,633,167**	**0**

9 Development projects

Development projects in progress consisted of developing and testing of new products within the seafood segment, which was transferred to Carsoe Seafood ApS in the current financial year.

10 Property, plant and equipment

	Plant and machinery DKK	Other fixtures and fittings, tools and equipment DKK
Cost beginning of year	3,435,831	8,958,893
Additions	0	517,160
Disposals	(477,855)	(1,329,826)
Cost end of year	**2,957,976**	**8,146,227**
Depreciation and impairment losses beginning of year	(3,300,006)	(6,076,369)
Depreciation for the year	(59,810)	(1,000,480)
Reversal regarding disposals	472,675	709,976
Depreciation and impairment losses end of year	**(2,887,141)**	**(6,366,873)**
Carrying amount end of year	**70,835**	**1,779,354**
Recognised assets not owned by entity	0	127,623

Depreciation for the year of assets sold amounts to DKK 99k.

11 Financial assets

	Investments in group enterprises DKK	Deposits DKK
Cost beginning of year	17,996,519	1,498,710
Disposals on divestments etc	(15,500,000)	0
Cost end of year	**2,496,519**	**1,498,710**
Revaluations beginning of year	2,018,759	0
Disposals on divestments etc	(3,400,707)	0
Amortisation of goodwill	(3,341)	0
Share of profit/loss for the year	3,938,337	0
Investments with negative equity value depreciated over receivables	272,564	0
Revaluations end of year	**2,825,612**	**0**
Carrying amount end of year	**5,322,131**	**1,498,710**

Investments in subsidiaries	Registered in	Equity interest %
Damgaard Automatik A/S	Jammerbugt, Denmark	100.00
Intech International GmbH	Handewitt, Germany	100.00
Intech International Norge AS	Aalesund, Norway	100.00
Intech Food Pack Systems Inc.	Chicageo, USA	100.00

12 Contract work in progress

	2022 DKK	2021 DKK
Contract work in progress	6,896,759	48,023,735
Progress billings regarding contract work in progress	(14,445,830)	(46,720,392)
Transferred to liabilities other than provisions	9,493,055	11,585,282
	1,943,984	**12,888,625**

13 Prepayments

Prepayments comprise prepaid expenses for subscriptions, licenses, insurance, etc.

14 Share capital

	Number	Par value DKK	Nominal value DKK
Share capital	501	1000	501,000
	501		**501,000**

15 Deferred tax

	2022 DKK	2021 DKK
Intangible assets	26,367	167,000
Property, plant and equipment	41,959	187,000
Inventories	143,672	192,000
Receivables	2,314,628	4,629,000
Provisions	(117,958)	(206,000)
Liabilities other than provisions	(29,156)	(23,000)
Tax losses carried forward	(2,268,501)	0
Deferred tax	**111,011**	**4,946,000**

Changes during the year	2022 DKK	2021 DKK
Beginning of year	4,946,000	1,180,951
Recognised in the income statement	(4,147,989)	3,765,049
Disposals on demerger	(687,000)	0
End of year	**111,011**	**4,946,000**

16 Other provisions

Other provisions comprise provisions for guarantee work.

17 Non-current liabilities other than provisions

	Due within 12 months 2022 DKK	Due within 12 months 2021 DKK	Due after more than 12 months 2022 DKK	Outstanding after 5 years 2022 DKK
Lease liabilities	48,192	36,344	72,288	0
Other payables	1,244,759	0	903,478	903,478
	1,292,951	**36,344**	**975,766**	**903,478**

18 Unrecognised rental and lease commitments

	2022 DKK	2021 DKK
Liabilities under rental or lease agreements until maturity in total	**24,466,250**	**27,172,218**

19 Contingent liabilities

	2021 DKK
Recourse and non-recourse guarantee commitments	140,000
Contingent liabilities	**140,000**

The Entity participates in a Danish joint taxation arrangement where Carsoe Group AS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

20 Assets charged and collateral

Bank loans are secured by way of a floating charge of nominal DKK 25,000k on unsecured claims from trade receivables, plant and machinery, other fixtures and fittings, tools and equipment as well as inventories. The bank debt amounts to DKK 0k at 31.12.2022.

21 Related parties with controlling interest

Intech Holding A/S, Broenderslev owns all shares in the Entity, thus exercising control.

Carsoe Holdco A/S, Denmark owns all shares in Intech Holding A/S, thus exercising control.

Carsoe Group A/S, Denmark owns all shares in Carsoe Holdco A/S, thus exercing contol.

Plemont Co-Investment No. 1 Seperate Limited Partnership, Jersey owns shares in Carsoe Group A/S, thus excercising control.

22 Non-arm's length related party transactions

	Parent DKK	Other related parties DKK
Sale of shares	0	17,545,000
Assets bought	0	18,500,000
Receivables	0	6,875,012
Liabilities other than provisions	29,611,769	26,395,704

Only related party transactions not conducted on an arm's length basis are disclosed in the annual report. During the financial year, related party transactions have been conducted on an arm's length basis in addition to the above transactions.

Other related parties comprise the affliated companies Carsoe Seafood ApS and Carsoe ApS.

23 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:
Carsoe Group A/S, Aalborg

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
Carsoe Group A/S, Aalborg

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(1) 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.

Business combinations
Positive differences in amount (goodwill) between cost of the acquired share and fair value of the assets and liabilities taken over are recognised in intangible assets, and they are amortised systematically over the income statement based on an individual assessment of their useful lives. If the useful life cannot be estimated reliably, it is fixed at 10 years. Useful life is reassessed annually.

The uniting-of-interests method is applied on demergers where the enterprises concerned are controlled by the Parent, under which method the combination is considered completed at the date of acquisition without restatement of comparative figures. Under the uniting-of-interests method, the acquiree's assets and liabilities are recognised at their carrying amounts, adjusted for any differences in accounting policies and accounting estimates. The difference between the consideration agreed and the carrying amount of the acquiree is recognised in equity.

Profit or loss from divestment of enterprises

Profits or losses from divestment or winding-up of enterprises are calculated as the difference between selling price or settlement price and the carrying amount of the net assets at the time of divestment and winding-up, respectively, including any non-amortised goodwill and estimated selling or winding-up expenses.

Foreign currency translation

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

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

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

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

Public grants

Public grants are recognised when a final commitment has been received from the grantor and it is probable that the conditions of the grant will be fulfilled. Grants are recognised as income in the income statement as earned. Grants awarded for acquisition of assets are recognised as deferred income in the balance sheet, which is taken to income on a straight-line basis over the useful life of the asset.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, other operating income, cost of raw materials and consumables and external expenses.

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue from the sale of services is recognised in the income statement when delivery is made 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).

Other operating income
Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

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 and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, and gains and losses from the sale of intangible assets and 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 interest income, including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets, and tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses
Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities, and tax surcharge under the Danish Tax Prepayment Scheme etc.

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

The Entity is jointly taxed with all Danish group enterprises. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet

Intellectual property rights etc

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

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

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

Indirect production costs in the form of indirectly attributable staff costs and amortisation of intangible assets and depreciation of property, plant and equipment used in the development process are recognised in cost based on time spent on each project.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised on a straight-line basis over the remaining patent period, and licenses are amortised on a straight-line basis over the contract period. The amortisation period is five years.

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

Property, plant and equipment

Plant and machinery, and 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 assets held under finance leases, cost is the lower of the asset's fair value and present value of future lease payments.

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:

	Useful life
Plant and machinery	5-10 years
Other fixtures and fittings, tools and equipment	2-5 years

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 plus unamortised goodwill and plus or minus unrealised intra-group profits or losses. Refer to the above section on business combinations for more details about the accounting policies used on acquisitions of investments in group enterprises.

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 the reserve for net revaluation according to the equity method in equity.

Goodwill is the positive difference between cost of investments and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. Useful lives are reassessed annually. The amortisation periods used are 3-20 years.
Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

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

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

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation of machinery and equipment used in the manufacturing process, and costs of factory administration and management. Finance costs are not included in cost.

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 in 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.

Joint taxation contributions receivable or payable
Current joint taxation contributions payable or joint taxation contributions receivable are recognised in the balance sheet, calculated as tax computed on the taxable income for the year, which has been adjusted for prepaid tax. For tax losses, joint taxation contributions receivable are only recognised if such losses are expected to be used under the joint taxation arrangement.

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. Extraordinary dividend adopted in the financial year is recognised directly in equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

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.

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

Other provisions
Other provisions comprise anticipated costs of 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.

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.

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
Referring to section 86(4) of the Danish Financial Statements Act, see the cash flow statement of the higher-level Parent’s consolidated financial statements.