



## Sørensen & Kofoed A/S

Smedeholm 7-9  
2730 Herlev  
CVR No. 26308917

## Annual report 01.10.2021 - 30.09.2022

The Annual General Meeting adopted the  
annual report on 16.12.2022

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**Flemming Søeborg Sørensen**  
Chairman of the General Meeting

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# Entity details

## Entity

Sørensen & Kofoed A/S

Smedeholm 7-9

2730 Herlev

Business Registration No.: 26308917

Registered office: Herlev

Financial year: 01.10.2021 - 30.09.2022

## Board of Directors

Flemming Søbørg Sørensen

Ellen Margrethe Søbørg Sørensen

Mads Nicolai Søbørg Sørensen

## Executive Board

Claus Hansen

## Bank

Danske Bank, Finanscenter København

Hovedvejen 107

2600 Glostrup

## Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

2300 Copenhagen S

# Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of Sørensen & Kofoed A/S for the financial year 01.10.2021 - 30.09.2022.

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 30.09.2022 and of the results of its operations and cash flows for the financial year 01.10.2021 - 30.09.2022.

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.

Herlev, 16.12.2022

## Executive Board

**Claus Hansen**

## Board of Directors

**Flemming Søborg Sørensen**

**Ellen Margrethe Søborg Sørensen**

**Mads Nicolai Søborg Sørensen**

# Independent auditor's report

## To the shareholders of Sørensen & Kofoed A/S

### Opinion

We have audited the financial statements of Sørensen & Kofoed A/S for the financial year 01.10.2021 - 30.09.2022, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement 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 30.09.2022 and of the results of its operations and cash flows for the financial year 01.10.2021 - 30.09.2022 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.

Copenhagen, 16.12.2022

**Deloitte**

Statsautoriseret Revisionspartnerselskab  
CVR No. 33963556

**Søren Strandby**

State Authorised Public Accountant  
Identification No (MNE) mne24684

# Management commentary

## Financial highlights

	2021/22	2020/21	2019/20	2018/19	2017/18
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
<b>Key figures</b>					
Gross profit/loss	26,167	28,798	26,197	26,376	25,662
Operating profit/loss	3,577	8,359	6,030	4,912	4,880
Net financials	(673)	(500)	(531)	(635)	(651)
Profit/loss for the year	2,269	6,120	4,251	3,303	3,256
Total assets	78,566	64,798	59,598	63,800	64,124
Investments in property, plant and equipment	581	1,232	385	644	371
Equity	19,982	23,713	21,593	21,342	22,039
Cash flows from (used in) operating activities	(11,622)	4,752	4,492	3,245	4,846
Cash flows from (used in) investing activities	(528)	(1,226)	(368)	(614)	(194)
Cash flows from (used in) financing activities	12,151	(3,526)	(1,357)	(3,941)	(3,731)
<b>Ratios</b>					
Return on equity (%)	10.39	27.02	19.80	15.23	14.80
Equity ratio (%)	25.43	36.60	36.23	33.45	34.37

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

### Return on equity (%):

$\frac{\text{Profit/loss for the year} * 100}{\text{Average equity}}$

Average equity

### Equity ratio (%):

$\frac{\text{Equity} * 100}{\text{Total assets}}$

Total assets



**Primary activities**

As in previous years, the Company's primary activity is wholesale of technical rubber and hydraulic equipment.

**Development in activities and finances**

Profit for the year amounts DKK 2,269 thousand against a profit of DKK 6,120 thousand in 2020/21. Management considers the performance satisfactory in the context of significant delays in the Company's delivery of goods from suppliers.

**Profit/loss for the year in relation to expected developments**

The operating profit of 3,577 thousand meet Management's expectations as indicated in the annual report for 2020/21.

**Uncertainty relating to recognition and measurement**

Management assesses that material uncertainty is not relating to recognition and measurement of income, expenses, assets and liabilities.

**Outlook**

Management expects an operating profit in the range of DKK 4-6 million.

**Use of financial instruments**

Due to its operations, investments and financing, the Group (Sørensen & Kofoed A/S is a subsidiary to S&K Group A/S) is exposed to changes in exchange rates and interest rate levels. Within the Group, the Parent manages the financial risks centrally and coordinates cash management, such as funding and investment of excess liquidity. The Group operates with a low risk profile, thus limiting the occurrence of currency, interest rate and credit risks, and only occurring in connection with commercial circumstances. Due to the limited risks compared to the Group's total activities, the use of financial instruments has not been further accounted for.

**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 2021/22

	Notes	2021/22 DKK	2020/21 DKK
<b>Gross profit/loss</b>		<b>26,166,538</b>	<b>28,797,601</b>
Staff costs	1	(22,253,384)	(20,077,938)
Depreciation, amortisation and impairment losses	2	(336,521)	(360,510)
<b>Operating profit/loss</b>		<b>3,576,633</b>	<b>8,359,153</b>
Other financial expenses		(673,198)	(499,781)
<b>Profit/loss before tax</b>		<b>2,903,435</b>	<b>7,859,372</b>
Tax on profit/loss for the year	3	(634,399)	(1,739,451)
<b>Profit/loss for the year</b>	4	<b>2,269,036</b>	<b>6,119,921</b>

# Balance sheet at 30.09.2022

## Assets

	Notes	2021/22 DKK	2020/21 DKK
Goodwill		0	0
<b>Intangible assets</b>	5	<b>0</b>	<b>0</b>
Land and buildings		16,690,206	16,743,114
Other fixtures and fittings, tools and equipment		5,465,248	5,220,683
<b>Property, plant and equipment</b>	6	<b>22,155,454</b>	<b>21,963,797</b>
<b>Fixed assets</b>		<b>22,155,454</b>	<b>21,963,797</b>
Manufactured goods and goods for resale		37,806,688	26,403,498
<b>Inventories</b>		<b>37,806,688</b>	<b>26,403,498</b>
Trade receivables		17,498,157	15,120,261
Receivables from group enterprises		229,830	159,679
Other receivables		194,533	216,204
Prepayments	7	669,623	923,445
<b>Receivables</b>		<b>18,592,143</b>	<b>16,419,589</b>
<b>Cash</b>		<b>11,372</b>	<b>10,666</b>
<b>Current assets</b>		<b>56,410,203</b>	<b>42,833,753</b>
<b>Assets</b>		<b>78,565,657</b>	<b>64,797,550</b>

**Equity and liabilities**

	Notes	2021/22 DKK	2020/21 DKK
Contributed capital		1,000,000	1,000,000
Retained earnings		16,982,153	16,713,117
Proposed dividend		2,000,000	6,000,000
<b>Equity</b>		<b>19,982,153</b>	<b>23,713,117</b>
Deferred tax	8	5,091,000	4,959,000
<b>Provisions</b>		<b>5,091,000</b>	<b>4,959,000</b>
Mortgage debt		19,844,998	11,416,005
Joint taxation contribution payable		502,399	1,470,451
Other payables		1,144,293	2,277,878
<b>Non-current liabilities other than provisions</b>	9	<b>21,491,690</b>	<b>15,164,334</b>
Current portion of non-current liabilities other than provisions	9	1,651,119	1,225,451
Bank loans		7,145,411	4,715,096
Trade payables		9,588,228	6,795,310
Payables to group enterprises		7,632,619	1,829,406
Joint taxation contribution payable		1,470,451	1,188,213
Other payables	10	4,512,986	5,207,623
<b>Current liabilities other than provisions</b>		<b>32,000,814</b>	<b>20,961,099</b>
<b>Liabilities other than provisions</b>		<b>53,492,504</b>	<b>36,125,433</b>
<b>Equity and liabilities</b>		<b>78,565,657</b>	<b>64,797,550</b>
Unrecognised rental and lease commitments	12		
Contingent liabilities	13		
Assets charged and collateral	14		
Group relations	15		

# Statement of changes in equity for 2021/22

	Contributed capital DKK	Retained earnings DKK	Proposed dividend DKK	Total DKK
Equity beginning of year	1,000,000	16,713,117	6,000,000	23,713,117
Ordinary dividend paid	0	0	(6,000,000)	(6,000,000)
Profit/loss for the year	0	269,036	2,000,000	2,269,036
<b>Equity end of year</b>	<b>1,000,000</b>	<b>16,982,153</b>	<b>2,000,000</b>	<b>19,982,153</b>

# Cash flow statement for 2021/22

	Notes	2021/22 DKK	2020/21 DKK
Operating profit/loss		3,576,633	8,359,153
Amortisation, depreciation and impairment losses		336,521	360,510
Working capital changes	11	(13,673,482)	(2,728,993)
<b>Cash flow from ordinary operating activities</b>		<b>(9,760,328)</b>	<b>5,990,670</b>
Financial expenses paid		(673,198)	(499,781)
Taxes refunded/(paid)		(1,188,213)	(738,592)
<b>Cash flows from operating activities</b>		<b>(11,621,739)</b>	<b>4,752,297</b>
Acquisition etc of intangible assets		(581,178)	(1,232,269)
Sale of property, plant and equipment		53,000	6,000
<b>Cash flows from investing activities</b>		<b>(528,178)</b>	<b>(1,226,269)</b>
<b>Free cash flows generated from operations and investments before financing</b>		<b>(12,149,917)</b>	<b>3,526,028</b>
Loans raised		13,936,900	1,159,347
Repayments of loans etc		(1,519,339)	(1,853,287)
Incurrence of debt to group enterprises		5,733,062	1,167,581
Dividend paid		(6,000,000)	(4,000,000)
<b>Cash flows from financing activities</b>		<b>12,150,623</b>	<b>(3,526,359)</b>
<b>Increase/decrease in cash and cash equivalents</b>		<b>706</b>	<b>(331)</b>
Cash and cash equivalents beginning of year		10,666	10,997
<b>Cash and cash equivalents end of year</b>		<b>11,372</b>	<b>10,666</b>
Cash and cash equivalents at year-end are composed of:			
Cash		11,372	10,666
<b>Cash and cash equivalents end of year</b>		<b>11,372</b>	<b>10,666</b>

# Notes

## 1 Staff costs

	2021/22 DKK	2020/21 DKK
Wages and salaries	20,631,678	18,785,417
Pension costs	1,271,935	1,012,869
Other social security costs	349,771	279,652
	<b>22,253,384</b>	<b>20,077,938</b>
Average number of full-time employees	46	42

## 2 Depreciation, amortisation and impairment losses

	2021/22 DKK	2020/21 DKK
Depreciation of property, plant and equipment	327,853	366,510
Profit/loss from sale of intangible assets and property, plant and equipment	8,668	(6,000)
	<b>336,521</b>	<b>360,510</b>

## 3 Tax on profit/loss for the year

	2021/22 DKK	2020/21 DKK
Current tax	502,399	1,470,451
Change in deferred tax	132,000	269,000
	<b>634,399</b>	<b>1,739,451</b>

## 4 Proposed distribution of profit and loss

	2021/22 DKK	2020/21 DKK
Ordinary dividend for the financial year	2,000,000	6,000,000
Retained earnings	269,036	119,921
	<b>2,269,036</b>	<b>6,119,921</b>

## 5 Intangible assets

	Goodwill DKK
Cost beginning of year	1,500,000
<b>Cost end of year</b>	<b>1,500,000</b>
Amortisation and impairment losses beginning of year	(1,500,000)
<b>Amortisation and impairment losses end of year</b>	<b>(1,500,000)</b>
<b>Carrying amount end of year</b>	<b>0</b>

## 6 Property, plant and equipment

	Land and buildings DKK	Other fixtures and fittings, tools and equipment DKK
Cost beginning of year	20,562,661	13,474,110
Additions	0	581,178
Disposals	0	(107,162)
<b>Cost end of year</b>	<b>20,562,661</b>	<b>13,948,126</b>
Depreciation and impairment losses beginning of year	(3,819,547)	(8,253,427)
Depreciation for the year	(52,908)	(274,945)
Reversal regarding disposals	0	45,494
<b>Depreciation and impairment losses end of year</b>	<b>(3,872,455)</b>	<b>(8,482,878)</b>
<b>Carrying amount end of year</b>	<b>16,690,206</b>	<b>5,465,248</b>

## 7 Prepayments

Prepayments

## 8 Deferred tax

	2021/22 DKK	2020/21 DKK
<b>Changes during the year</b>		
Beginning of year	4,959,000	4,690,000
Recognised in the income statement	132,000	269,000
<b>End of year</b>	<b>5,091,000</b>	<b>4,959,000</b>

Deferred tax relates to intangible assets, property, plant and equipment, inventories and other provisions.

## 9 Non-current liabilities other than provisions

	Due within 12 months 2021/22 DKK	Due within 12 months 2020/21 DKK	Due after more than 12 months 2021/22 DKK	Outstanding after 5 years 2021/22 DKK
Mortgage debt	1,651,119	1,225,451	19,844,998	6,901,458
Joint taxation contribution payable	0	0	502,399	
Other payables	0	0	1,144,293	0
	<b>1,651,119</b>	<b>1,225,451</b>	<b>21,491,690</b>	<b>6,901,458</b>



**10 Other payables**

	<b>2021/22</b>	<b>2020/21</b>
	<b>DKK</b>	<b>DKK</b>
VAT and duties	2,482,172	1,189,243
Wages and salaries, personal income taxes, social security costs, etc payable	1,691,795	3,622,009
Other costs payable	339,019	396,371
	<b>4,512,986</b>	<b>5,207,623</b>

**11 Changes in working capital**

	<b>2021/22</b>	<b>2020/21</b>
	<b>DKK</b>	<b>DKK</b>
Increase/decrease in inventories	(8,525,936)	(1,795,229)
Increase/decrease in receivables	(4,978,657)	(2,582,798)
Increase/decrease in trade payables etc	(168,889)	1,649,034
	<b>(13,673,482)</b>	<b>(2,728,993)</b>

**12 Unrecognised rental and lease commitments**

	<b>2021/22</b>	<b>2020/21</b>
	<b>DKK</b>	<b>DKK</b>
Liabilities under rental or lease agreements until maturity in total	<b>536,392</b>	<b>874,627</b>

**13 Contingent liabilities**

The Entity participates in a Danish joint taxation arrangement in which S&K Group A/S serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable 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 total known net liability of the jointly taxed entities under the joint taxation arrangement is evident from the administration company's financial statements.

**14 Assets charged and collateral**

Mortgage debt and bank loans are secured by way of mortgage on properties. Bank debt is secured by way and a deposited mortgage deed registered to the mortgagor on properties of DKK 328 thousand nominal. The carrying amount of the properties is DKK 16,690 thousand at 30.09.2022.

The Entity has jointly and severally guaranteed the combined bank debt of the consolidated companies which amounts to DKK 34,288 thousand at 30.09.2022.

A company charge of DKK 20,000 thousand has been provided as security for the combined bank debt of the consolidated companies. The charge comprises trade receivables, inventories, other fixtures and fittings, tools and equipment and intangible assets.

**15 Group relations**

Name and registered office of the Parent preparing consolidated financial statements for the largest group:  
S&K Group A/S, Rungsted Kyst, Denmark

# 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).

## Changes in accounting policies

The Entity has changed its accounting policies with regard to cash flow statement.

Following the Danish Business Authority's interpretation, withdrawals from the Company's overdraft facility have been classified as cash flows from financing activities in the cash flow statement. Previously, the cash flow statement classified such withdrawals as cash and cash equivalents. The change produces a positive effect on cash flows from financing activities of DKK 2,430 thousand in 2021/22 (and a negative effect of DKK 667 thousand in 2020/21) and an increase in cash and cash equivalents of DKK 2.430 thousand as at 30.09.2022 (a decrease of DKK 667 thousand as at 30.09.2021). Accordingly, comparative figures have been restated.

The comparative figures have been restated following the change in accounting policies.

Apart from the areas mentioned above, the annual report has been presented applying the accounting policies consistent with last year.

## 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.

## Income statement

### Gross profit or loss

Gross profit or loss comprises revenue, changes in inventories of finished goods and work in progress, own work capitalised, 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 is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

#### **Costs of raw materials and consumables**

Costs of raw materials and consumables comprise the consumption of raw materials and consumables for the financial year after adjustment for changes in inventories of these goods from the beginning to the end of the year. This item includes shrinkage, if any, and ordinary writedowns of the relevant inventories.

#### **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 and impairment losses relating to property, plant and equipment comprise depreciation 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

#### **Other financial expenses**

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital losses on payables and transactions in foreign currencies, amortisation of financial liabilities as well as 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 the Parent and all of its wholly owned subsidiaries. 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**

#### **Goodwill**

Goodwill is the positive difference between cost 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.

Goodwill is written down to the lower of recoverable amount and carrying amount.

#### **Property, plant and equipment**

Land and buildings as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

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.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straightline depreciation is made on the basis of the following estimated useful lives of the assets:

	<b>Useful life Years</b>
Buildings	50 years
Other fixtures and fittings, tools and equipment	5-20 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.

### **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.

### **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 tax-based value of assets and liabilities, for which the taxbased value of assets 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.

**Mortgage debt**

At the time of borrowing, mortgage debt to mortgage credit institutions is measured at cost which corresponds to the proceeds received less transaction costs incurred. Mortgage debt is subsequently measured at amortised cost. This means that the difference between the proceeds at the time of borrowing and the nominal repayable amount of the loan is recognised in the income statement as a financial expense over the term of the loan applying the effective interest method.

**Other financial liabilities**

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

**Joint taxation contributions payable or receivable**

Current joint taxation contributions receivable or joint taxation contributions payable are recognised in the balance sheet, calculated as tax computed on the taxable income of 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.

**Cash flow statement**

The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with purchase and sale, etc of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, repayments of interest-bearing debt, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk.