CHRISTENSEN
KJÆRULFF
PERSONLIGT ENGAGEMENT

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THORKILD LARSEN A/S

Algade 43, 4000 Roskilde

Company reg. no. 29 39 85 18

Annual report

1 May 2019 - 30 April 2020

The annual report has been submitted and approved by the general meeting on the 27th August, 2020

Peter Adser
Chairman of the meeting

Contents

Notes:

- To ensure the greatest possible applicability of this document, IAS/IFRS English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance DKK 146.940 means the amount of DKK 146,940, and that 23,5 % means 23.5 %.

Management's report

Today, the board of directors and the managing director have presented the annual report of THORKILD LARSEN A/S for the financial year 1 May 2019 - 30 April 2020.

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

We consider the accounting policies appropriate and, in our opinion, the financial statements provide a fair presentation of the company's assets, equity and liabilities, and financial position at 30 April 2020 and of the company's results of activities in the financial year 1 May 2019 – 30 April 2020.

We are of the opinion that the management commentary presents a fair account of the issues dealt with.

We recommend that the annual report be approved by the general meeting.

Roskilde, 24 August 2020

Managing Director

Søren Stub Rasmussen
Managing Director

Board of directors

Peter Adser	Jacob Johansen	Søren Stub Rasmussen
Lars Adser	Claus Adser	

Independent auditor's report

To the shareholders of THORKILD LARSEN A/S

Opinion

We have audited the financial statements of THORKILD LARSEN A/S for the financial year 1 May 2019 - 30 April 2020, which comprise accounting policies, income statement, statement of financial position and notes. The financial statements have been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements present a fair view of the company's assets, equity and liabilities, and financial position at 30 April 2020 and of the results of the company's activities for the financial year 1 May 2019 - 30 April 2020 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with international standards on auditing and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the section "Auditor's responsibilities for the audit of the financial statements". We are independent of the company in accordance with international ethical requirements for auditors (IESBA's Code of Ethics), and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of financial statements that provide a fair view in accordance with the Danish Financial Statements Act. Management is also responsible for such internal control as the 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 unless management either intends to liquidate the company 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 including an opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with international standards on auditing, 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 international standards on auditing, and the additional requirements applicable in Denmark, we exercise professional judgment 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 the 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 preparation of the financial statements using the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists arising from 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 disclosures in notes, and whether the financial statements reflect the underlying transactions and events in a manner that presents a 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 the internal control that we identify during our audit.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on and the financial statements does not cover the management commentary, and we express no assurance opinion thereon.

Independent auditor's report

In connection with our audit of the financial statements, it is our responsibility to read the management commentary and to consider whether the management commentary is materially inconsistent with the financial statements or the evidence obtained during the audit, or whether it otherwise appears to contain material misstatement.

Furthermore, 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 believe that management commentary is consistent with the financial statements and that it has been prepared in accordance with the provisions of the Danish Financial Statement Act. We did not discover any material misstatement in the management commentary.

Copenhagen, 24 August 2020

Christensen Kjærulff

Company reg. no. 15 91 56 41

John Mikkelsen
State Authorised Public Accountant
mne26748

Company information

The company	THORKILD LARSEN A/S Algade 43 4000 Roskilde	
	Phone	(+45) 48 18 66 66
	Web site	www.thorkild-larsen.dk
	E mail	info@thorkild-larsen.dk
	Company reg. no.	29 39 85 18
	Established:	1 September 1969
	Domicile:	Roskilde
	Financial year:	1 May - 30 April
Board of directors	Peter Adser Jacob Johansen Søren Stub Rasmussen Lars Adser Claus Adser	
Managing Director	Søren Stub Rasmussen, Managing Director	
Auditors	Christensen Kjærulff Statsautoriseret Revisionsaktieselskab Store Kongensgade 68 1264 København K	
Parent company	Adserbi A/S	

Management commentary

The principal activities of the company

Like previous years, the principal activities of the company are marketing and sales of electrical components and products.

Development in activities and financial matters

The gross profit for the year totals DKK 11.706.000 against DKK 14.225.000 last year. Income or loss from ordinary activities after tax totals DKK 2.142.000 against DKK 3.519.000 last year.

Events occurring after the end of the financial year

The company faces challenges and financial risks due to the Corona Virus / COVID-19. A number of measures have been taken to ensure the health of employess. The Corona / COVID-19 causes uncertainty both politicaly / socially and for the company. Current and any future political and economic measures that may be implemented could pose financial risks related to the company's operations and may limit the company's trading opportunities.

It is expected that the level of activity of the company solely on the basis of the political and economic measueres that are current at the time of the financial reporting will be unchanged.

Income statement 1 May - 30 April

All amounts in DKK.

Note		2019/20	2018/19
	Gross profit	**11.705.704**	**14.224.500**
1	Staff costs	-7.468.171	-8.036.621
	Depreciation, amortisation, and impairment	-989.289	-1.060.462
	Other operating costs	-6.720	0
	Operating profit	**3.241.524**	**5.127.417**
	Other financial income	125	27
2	Other financial costs	-481.823	-655.858
	Pre-tax net profit or loss	**2.759.826**	**4.471.586**
	Tax on net profit or loss for the year	-618.247	-952.502
	Net profit or loss for the year	**2.141.579**	**3.519.084**
	Proposed appropriation of net profit:		
	Dividend for the financial year	2.180.000	3.240.000
	Transferred to retained earnings	0	279.084
	Allocated from retained earnings	-38.421	0
	Total allocations and transfers	**2.141.579**	**3.519.084**

Statement of financial position at 30 April

All amounts in DKK.

Note	Assets	2020	2019
	Non-current assets		
3	Concessions, patents, licenses, trademarks, and similar rights acquired	518.804	697.244
4	Goodwill	1.762.342	2.333.911
	Total intangible assets	2.281.146	3.031.155
5	Other fixtures and fittings, tools and equipment	419.854	428.099
6	Leasehold improvements	35.227	81.429
	Total property, plant, and equipment	455.081	509.528
7	Deposits	212.482	156.250
	Total investments	212.482	156.250
	Total non-current assets	**2.948.709**	**3.696.933**
	Current assets		
	Raw materials and consumables	25.178.667	30.286.246
	Manufactured goods and trade goods	946.125	551.996
	Prepayments for goods	921.973	3.970.587
	Total inventories	27.046.765	34.808.829
	Trade receivables	18.236.469	24.469.289
	Deferred tax assets	58.265	53.186
	Other debtors	152.066	42.065
	Accrued income and deferred expenses	149.706	101.695
	Total receivables	18.596.506	24.666.235
	Cash on hand and demand deposits	3.329.830	14.996
	Total current assets	**48.973.101**	**59.490.060**
	Total assets	**51.921.810**	**63.186.993**

Statement of financial position at 30 April

All amounts in DKK.

Note	Equity and liabilities	2020	2019
	Equity		
8	Contributed capital	1.875.000	1.875.000
8	Results brought forward	15.486.984	15.525.406
8	Proposed dividend for the financial year	2.180.000	3.240.000
	Total equity	**19.541.984**	**20.640.406**
	Liabilities other than provisions		
	Bank loans	0	23.438.641
	Trade creditors	6.293.240	6.581.385
	Payables to group enterprises	19.644.341	6.009.863
	Corporate tax	548.305	799.845
	Other payables	5.893.940	5.716.853
	Total short term liabilities other than provisions	32.379.826	42.546.587
	Total liabilities other than provisions	**32.379.826**	**42.546.587**
	Total equity and liabilities	**51.921.810**	**63.186.993**

9 Contingencies

All amounts in DKK.

		2019/20	2018/19
1.	**Staff costs**		
	Salaries and wages	6.735.333	7.286.273
	Pension costs	629.167	641.963
	Other costs for social security	103.671	108.385
		7.468.171	**8.036.621**
	Average number of employees	13	14
2.	**Other financial costs**		
	Financial costs, group enterprises	233.645	144.773
	Other financial costs	248.178	511.085
		481.823	**655.858**
3.	**Concessions, patents, licenses, trademarks, and similar rights acquired**		
	Cost 1 May 2019	1.299.514	1.143.783
	Additions during the year	41.020	155.731
	Cost 30 April 2020	**1.340.534**	**1.299.514**
	Amortisation and writedown 1 May 2019	-602.270	-377.677
	Amortisation for the year	-219.460	-224.593
	Amortisation and writedown 30 April 2020	**-821.730**	**-602.270**
	Carrying amount, 30 April 2020	**518.804**	**697.244**

All amounts in DKK.

		30/4 2020	30/4 2019
4.	**Goodwill**		
	Cost 1 May 2019	3.780.233	3.780.233
	Cost 30 April 2020	**3.780.233**	**3.780.233**
	Amortisation and writedown 1 May 2019	-1.446.322	-945.058
	Amortisation for the year	-571.569	-501.264
	Amortisation and writedown 30 April 2020	**-2.017.891**	**-1.446.322**
	Carrying amount, 30 April 2020	**1.762.342**	**2.333.911**
5.	**Other fixtures and fittings, tools and equipment**		
	Cost 1 May 2019	2.273.844	2.590.924
	Additions during the year	150.534	0
	Disposals during the year	-6.720	-317.080
	Cost 30 April 2020	**2.417.658**	**2.273.844**
	Amortisation and writedown 1 May 2019	-1.845.745	-1.834.751
	Depreciation for the year	-152.059	-328.074
	Reversal of depreciation, amortisation and writedown, assets disposed of	0	317.080
	Amortisation and writedown 30 April 2020	**-1.997.804**	**-1.845.745**
	Carrying amount, 30 April 2020	**419.854**	**428.099**
6.	**Leasehold improvements**		
	Cost 1 May 2019	231.130	231.130
	Cost 30 April 2020	**231.130**	**231.130**
	Depreciation and writedown 1 May 2019	-149.701	-103.170
	Depreciation for the year	-46.202	-46.531
	Depreciation and writedown 30 April 2020	**-195.903**	**-149.701**
	Carrying amount, 30 April 2020	**35.227**	**81.429**

All amounts in DKK.

		30/4 2020	30/4 2019
7.	**Deposits**		
	Cost 1 May 2019	156.250	156.250
	Additions during the year	56.232	0
	Cost 30 April 2020	**212.482**	**156.250**
	Carrying amount, 30 April 2020	**212.482**	**156.250**

8. Equity

	Contributedc pital	Results brought forward	Proposed dividend for the financial year	Total
Equity 1. Maj 2019	1.875.000	15.525.405	3.240.000	20.640.405
Profit or loss for the yar brought forward	0	-38.421	-3.240.000	-3.278.421
Dividend for the financial year	0	0	2.180.000	2.180.000
Equity 30. April 2020	**1.875.000**	**15.486.984**	**2.180.000**	**19.541.984**

9. Contingencies

Joint taxation

With Adserbi A/S, company reg. no 87 80 23 10 as administration company, the company is subject to the Danish scheme of joint taxation and is proportionally liable for tax claims within the joint taxation scheme.

The company is proportionally liable for any obligations to withhold tax on interest, royalties, and dividends of the jointly taxed companies.

The liabilities amount to a maximum amount corresponding to the share of the company capital, which is owned directly or indirectly by the ultimate parent company.

Any subsequent adjustments of corporate taxes or withholding tax, etc., may result in changes in the company's liabilities.

The annual report for THORKILD LARSEN A/S has been presented in accordance with the Danish Financial Statements Act regulations concerning reporting class B enterprises. Furthermore, the company has decided to comply with certain rules applying to reporting class C enterprises.

The accounting policies are unchanged from last year, and the annual report is presented in DKK.

Recognition and measurement in general

Income is recognised in the income statement concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs are recognised in the income statement, including depreciations amortisations, writedowns for impairment, provisions, and reversals due to changes in estimated amounts previously recognised in the income statement.

Assets are recognised in the statement of financial position when it seems probable that future economic benefits will flow to the company and the value of the asset can be reliably measured.

Liabilities are recognised in the statement of financial position when it is seems probable that future economic benefits will flow out of the company and the value of the liability can be reliably measured.

Assets and liabilities are measured at cost at the initial recognition. Hereafter, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost, allowing a constant effective interest rate to be recognised during the useful life of the asset or liability. Amortised cost is recognised as the original cost less any payments, plus/less accrued amortisations of the difference between cost and nominal amount. In this way, capital losses and gains are allocated over the useful life of the liability.

Upon recognition and measurement, allowances are made for such predictable losses and risks which may arise prior to the presentation of the annual report and concern matters that exist on the reporting date.

Foreign currency translation

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of transaction. Exchange rate differences arising between the rate at the date of transaction and the rate at the date of payment are recognised in the income statement as an item under net financials.

Receivables, payables, and other foreign currency monetary items are translated using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or initial recognition in the latest financial statements of the receivable or payable is recognised in the income statement under financial income and expenses.

Fixed assets and other nonmonetary assets acquired in foreign currency and not considered to be investment assets are measured using the exchange rate at the transaction date.

Derivatives

At their initial recognition, derivatives are recognised at cost in the statement of financial position. Hereafter, they measured at fair value. Positive and negative fair values of derivatives are recognised under other receivables and payables, respectively.

Changes in the fair value of derivatives intended as hedging the fair value of a recognised asset or a recognised liability are recognised in the income statement together with any changes in the fair value of the hedged asset or hedged liability.

Changes in the fair value of derivatives classified as, and meeting the criteria for, hedging future cash flows are recognised under other receivables or other payables and in equity.

If the future transaction results in the recognition of assets or liabilities, amounts previously recognised in equity are transferred to the cost of the asset or the liability, respectively. If the future transaction results in income or costs, amounts recognised in equity on a continuing basis are transferred to the income statement for the period in which the hedged item affected the income statement.

As regards any derivatives which do not meet the criteria for treatment as hedging instruments, changes in the fair value are recognised in the income statement on a continuing basis.

Changes in the fair value of derivatives used for hedging net investments in independent foreign group enterprises or associates are recognised directly in equity.

Income statement

Gross profit

Gross profit comprises the revenue, changes in inventories of finished goods, and work in progress, work performed for own account and capitalised, other operating income, and external costs.

Revenue is recognised in the income statement if delivery and passing of risk to the buyer have taken place before the end of the year and if the income can be determined reliably and inflow is anticipated. Recognition of revenue is exclusive of VAT and taxes and less any discounts relating directly to sales.

Cost of sales comprises costs concerning purchase of raw materials and consumables less discounts and changes in inventories.

Other operating income comprises items of a secondary nature as regards the principal activities of the enterprise.

Other external costs comprise costs incurred for distribution, sales, advertising, administration, premises, loss on receivables, and operational leasing costs.

Staff costs

Staff costs include salaries and wages, including holiday allowances, pensions, and other social security costs, etc., for staff members. Staff costs are less government reimbursements.

Depreciation, amortisation, and writedown for impairment

Depreciation, amortisation, and writedown for impairment comprise depreciation, amortisation, and writedown for the year and profit and loss on the disposal of intangible and tangible assets.

Other operating costs

Other operating costs comprise items of secondary nature as regards the principal activities of the enterprise.

Financial income and expenses

Financial income and expenses comprise interest, realised and unrealised capital gains and losses concerning financial assets and liabilities, amortisation of financial assets and liabilities, additions and reimbursements under the Danish tax prepayment scheme, etc. Financial income and expenses are recognised in the income statement with the amounts concerning the financial year.

Tax on net profit or loss for the year

Tax for the year comprises the current income tax for the year and changes in deferred tax and is recognised in the income statement with the share attributable to the net profit or loss for the year and directly in equity with the share attributable to entries directly in equity.

The company is subject to Danish rules on compulsory joint taxation of Danish group enterprises.

The current Danish income tax is allocated among the jointly taxed companies proportional to their respective taxable income (full allocation with reimbursement of tax losses).

Statement of financial position

Intangible assets

Development projects, patents, and licences

Development costs and internally generated rights are recognised in the income statement as costs in the acquisition year.

Patents and licenses are measured at cost less accrued amortisation. Patents are amortised on a straightline basis over the remaining patent period and licenses are amortised over the contract period, however, for a maximum of 10 years.

Profit and loss from the sale of development projects, patents, and licenses are measured as the difference between the sales price less sales costs and the carrying amount at the time of sale. Profit or loss is recognised in the income statement under amortisation and writedown for impairment.

Goodwill

Goodwill is amortised over the estimated useful life, which is determined on the basis of management's experience in the individual business areas. Goodwill is amortised on a straightline basis over the amortisation period, which is set at between 5 and 25 years. The amortisation period is determined on the basis of an expected pay-back period, being the longer for strategical acquirees with a strong market position and an expected longterm earnings profile.

Property, plant, and equipment

Property, plant, and equipment are measured at cost less accrued depreciation and writedown for impairment.

The depreciable amount is cost less any expected residual value after the end of the useful life of the asset. The amortisation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the carrying amount, the depreciation is discontinued.

If the amortisation period or the residual value is changed, the effect on amortisation will, in future, be recognised as a change in the accounting estimates.

The cost comprises acquisition cost and costs directly associated with the acquisition until the time when the asset is ready for use.

The cost of a total asset is divided into separate components. These components are depreciated separately when the useful lives of each individual components differ.

Depreciation is done on a straight-line basis according to an assessment of the expected useful life:

	Useful life
Other fixtures and fittings, tools and equipment	3-5 years

Minor assets with an expected useful life of less than 1 year are recognised as costs in the income statement in the year of acquisition.

Profit or loss derived from the disposal of property, land, and equipment is measured as the difference between the sales price less selling costs and the carrying amount at the date of disposal. Profit or loss is recognised in the income statement under depreciation.

Leases

Leases are regarded as operating leases. Payments in connection with operating leases and other lease agreements are recognised in the income statement for the term of the contract. The company's total liabilities concerning operating leases and lease agreements are recognised under contingencies, etc.

Impairment loss relating to non-current assets

The carrying amount of both intangible and tangible assets as well as equity investments in subsidiaries and associates are subject to annual impairment tests in order to disclose any indications of impairment beyond those expressed by amortisation and depreciation, respectively.

If indications of impairment are disclosed, impairment tests are carried out for each individual asset or group of assets, respectively. Writedown for impairment is done to the recoverable amount if this value is lower than the carrying amount.

The recoverable amount is equal to the value of the net selling price or the value in use, whichever is higher. The value in use is determined as the present value of the expected net cash flow derived from the use of the asset or group of assets.

Previously recognised impairment losses are reversed when conditions for impairment no longer exist. Impairment relating to goodwill is not reversed.

Leasehold improvements

Leasehold improvements are measured at cost less accrued depreciations. Depreciation is done on a straightline basis over the estimated useful life of the asset, which is set at 5 years.

Investments

Equity in group enterprise

Equity in group enterprise recognised in the statement of financial position as a proportional share of the enterprise's equity value. This is calculated on the basis of the accounting policies of the parent less/plus unrealised intercompany profits and losses, and less/plus residual value of positive or negative goodwill measured by applying the purchase method.

Group enterprise with negative equity are recognised at no value and, to the extent they are considered irrevocable, amounts owed by these companies are made subject to impairment by the parent's share of the equity. If the negative equity exceeds the receivables, the residual amount is recognised under liability provisions to the extent that the parent has a legal or actual liability to cover the negative equity of these subsidiaries.

To the extent the equity exceeds the cost, the net revaluation of equity investment in group enterprise is transferred to the reserve under equity for net revaluation according to the equity method. Dividend from group enterprise expected to be adopted before the approval of this annual report are not subject to a limitation of the revaluation reserve. The reserve is adjusted by other equity movements in group enterprise.

Newly acquired or newly established companies are recognised in the financial statement as of the time of acquisition. Sold or liquidated companies are recognised until the date of disposal.

Profit or loss in connection with the disposal of group enterprise are measured as the difference between the sales amount and the carrying amount of net assets at the time of sale, inclusive of remaining consolidated goodwill and expected costs of sale or liquidation. Profit and loss are recognised in the income statement under net financials.

For the acquisition of new group enterprises, the purchase method is applied, by which the acquirees' assets and liabilities are measured at fair value at the time of acquisition. Provisions for payment of costs for pre-determined restructuring activities in the acquirees in relation to the acquisition are recognised. The tax effect of revaluations is taken into consideration.

Positive differences (goodwill) between cost and fair value of identifiable acquired assets and liabilities, inclusive of liability provisions for restructuring, are recognised under equity investment in group enterprise and is amortised over their estimated useful economic life. The useful life is determined on the basis of management's experience in the individual business areas. The amortisation period is maximum 20 years, being the longer for strategical acquirees with a strong market position and a longterm earnings potential. The carrying amount of goodwill is subject to impairment tests on a continuing basis and written down in the income statement in those cases when the carrying amount exceeds the expected future net income from the enterprise or the activity to which the goodwill is attached.

Other financial instruments and equity investments

Financial instruments and equity investments recognised under non-current assets comprise listed bonds and shares measured at fair value on the reporting date. Listed financial instruments are measured at market price.

Other unlisted financial instruments are measured at cost. Writedown for impairment is done to the recoverable amount if this value is lower than the carrying amount.

Deposits

Deposits are measured at amortised cost and represent lease deposits, etc.

Inventories

Inventories are measured at cost according to the FIFO method. In cases when the net realisable value of the inventories is lower than the cost, the latter is written down for impairment to this lower value.

Costs of goods for resale, raw materials, and consumables comprise acquisition costs plus delivery costs.

Costs of manufactured goods and work in progress comprise the cost of raw materials, consumables, direct wages, and indirect production costs. Indirect production costs comprise indirect materials and wages, maintenance and depreciation of machinery, factory buildings, and equipment used in the production process, and costs for factory administration and factory management. Borrowing expenses are not recognised in cost.

The net realisable value for inventories is recognised as the market price less costs of completion and selling costs. The net realisable value is determined with due consideration of negotiability, obsolescence, and the development of expected market prices.

Receivables

Receivables are measured at amortised cost which usually corresponds to face value. In order to meet expected losses, they are written down for impairment to the net realisable value.

Prepayments and accrued income

Prepayments and accrued income recognised under assets comprise incurred costs concerning the following financial year.

Cash on hand and demand deposits

Cash on hand and demand deposits comprise cash at bank and on hand.

Equity

Income tax and deferred tax

Current tax receivables and tax liabilities are recognised in the statement of financial position with the amount calculated on the basis of the expected taxable income for the year adjusted for tax on previous years' taxable income and prepaid taxes. Tax receivables and tax liabilities are offset to the extent that a legal right of set-off exists and the items are expected to be settled net or simultaneously.

According to the rules of joint taxation, THORKILD LARSEN A/S is proportionally liable to pay the Danish tax authorities the total income tax, including withholding tax on interest, royalties, and dividends, arising from the jointly taxed group of companies.

Deferred tax is tax on all temporary differences in the carrying amount and tax base of assets and liabilities measured on the basis of the planned application of the asset and disposal of the liability, respectively.

Deferred tax assets, including the tax value of tax losses eligible for carryforward, are recognised at their expected realisable value, either by settlement against tax of future earnings or by setoff in deferred tax liabilities within the same legal tax unit. Any deferred net tax assets are measured at net realisation value.

Deferred tax is measured on the basis of the tax rules and tax rates of applicable legislation at the reporting date and prevailing when the deferred tax is expected to be released as current tax.

Liabilities other than provisions

Mortgage loans and bank loans are thus measured at amortised cost which, for cash loans, corresponds to the outstanding payables. For bond loans, the amortised cost corresponds to an outstanding payable calculated as the underlying cash value at the date of borrowing, adjusted by amortisation of the market value on the date of the borrowing effectuated over the repayment period.

Other liabilities other than provisions are measured at amortised cost which usually corresponds to the nominal value.