Sto Danmark A/S

Omsorgsfuldt byggeri.

Annual report

01.01.2019 – 31.12.2019

CVR no. 31875382

Avedøreholmen 48

DK-2650 Hvidovre

The annual general meeting adopted the annual report on 18th of June 2020

Chairman of the general meeting

J. Rasmussen

Name: Jesper Rasmussen

Company information

Company	Sto Danmark A/S	
	Avedøreholmen 48	
	2650 Hvidovre	
	Telephone:	70270143
	Fax:	70270146
	E-mail:	kundekontakt@sto.com
	CVR no.:	31875382
Bank	Handelsbanken København City	
	Amaliegade 3	
	1256 København K	
	Denmark	
Auditor	Ernst & Young	
	Dirch Passers Allé 36	
	2000 Frederiksberg	
	Denmark	
	CVR no.:	30700228
	Production entity:	1013415044

Statement by Management

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Sto Danmark A/S for the financial year 1 January - 31 December 2019.

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

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2019 and of the results of the Company's operations for the financial year 1 January – 31 December 2019.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

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

18th of June 2020
Executive Board:

Jan Tore Andersen

Board of Directors:

Rainer Hüttenberger Chairman	Svein Oftedal	Thade Bredtmann

Independent auditor's report

To the shareholders of Sto Danmark A/S

Opinion

We have audited the financial statements of Sto Danmark A/S for the financial year 1 January – 31 December 2019, which comprise income statement, balance sheet, statement of changes in equity and notes, including 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 financial position of the Company at 31 December 2019 and of the results of the Company's operations for the financial year 1 January – 31 December 2019 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 our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to 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 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 the financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

18th of June 2020
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Jesper Jørn Pedersen	Kim Thomsen
State Authorised	State Authorised
Public Accountant	Public Accountant
mne21326	mne26736

Management's review

Business review

The Company's primary activities consist of trade in construction materials. Production is located in the Parent Company.

Financial review

The income statement for 2019 shows a negative result of DKK 2,468 thousand against a profit of DKK 2,319 thousand last year, and the balance sheet at 31 December 2019 shows equity of DKK 4,754 thousand.

Management considers the Company's financial performance in the year not satisfactory.

Sto Danmark A/S has from January 1, 2019 implemented the following new accounting policies:

- IFRS 16 Leases

- IFRS 15 Revenue from Contracts with Customers

Sto Danmark A/S adopted IFRS 16 using the modified retrospective method, with the date of initial application of January 1, 2019. Therefore, comparative figures are not restated and the cumulative effect of initially applying the standard is recognized as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the date of initial application.

For the year ended December 31, 2019 adoption of IFRS 16 had the following impact:

- Sto Danmark A/S has initially recognized right-of-use assets of DKK 9,874 thousand and lease liabilities of DKK 9,874 thousand as of January 1, 2019. The cumulative effect on retained earnings are therefore DKK 0 thousand as of January 1, 2019.
- Depreciation expense increased due to recognized ROA which resulted in an increase of DKK 2,756 thousand.
- Rent expense related to previous operating leases decreased by DKK 1,781 thousand, while car leasing costs decreased by DKK 975 thousand.
- Finance cost increased by DKK 39 thousand relating to the interest expense on the lease liabilities.

IFRS 15 Revenue from Contracts with Customers:

Sto Danmark A/S adopted the new standard using the modified retrospective method of adoption with the date of initial application of January 1, 2019 under which the cumulative effect of initially applying IFRS 15 is recognized at the date of initial application as an adjustment to the opening balance of retained earnings and the comparative figures are not restated. For the year ended December 31, 2019 adoption of IFRS 15 have had no impact.

Events after the balance sheet date

Sto Danmark A/S generally achieved results in January and February 2020, which is in line with expectations. However, as of the beginning of March 2020, management has noted that the worldwide Covid-19 pandemic will potentially affect Sto Danmark A/S performance and financial position by 2020.

The ongoing virus outbreak of Covid-19 could potentially have an impact on Sto Danmark A/S sales .The potential effect on Sto Danmark A/S profit and financial position will naturally depend on the duration and extent of the virus outbreak, which is unknown at the time of the financial reporting.

Outlook

2020 opens in the context of a challenging market following the fears linked to the Covid-19 virus pandemic. The government of Denmark are imposing travel bans, quarantines and other emergency public safety measures. These measures, although temporary in nature, may continue and increase depending on the development of the virus outbreak. The severity of the Coronavirus pandemic is currently uncertain and therefore it is not possible to predict the impact it could have on our customers. In this scenario, Sto Danmark A/S, is taking appropriate measures to effectively deal with the effects of the ongoing emergency.

Sto Danmark A/S has taken all necessary measures to protect the health and safety of its' employees while at the same time, and to the extent possible, ensure the smooth continuation of its' operations.

The above mentioned virus outbreak, does not have any impact on the financial statements for the year ended 31.12.2019.

Financial statements 1 January – 31 December

Income statement

Note	DKK	2019	2018
	Gross profit/loss	12,551,404	15,666,231
2	Staff costs	- 11,659,119	-11,937,084
3	Amortisation, depreciation and impairment losses	- 3,293,363	-614,105
	Profit/loss before net financials	-2,401,078	3,115,042
	Financial income	17,357	10,816
	Financial expenses	- 120,692	-94,203
	Profit/loss before tax	-2,504,413	3,031,655
4	Tax for the year	36,843	-712,990
	Profit/loss for the year	-2,467,570	2,318,665
	Proposed distribution of profit/loss		
	Dividend proposed for the year	0	2,350,000
	Transferred to reserves under equity	-2,467,570	-31,335
		-2,467,570	2,318,665

Financial statements 1 January – 31 December

Balance sheet

Note	DKK	2019	2018
	ASSETS		
	Non-current assets		
5	**Property, plant and equipment**		
	Fixtures and fittings, tools and equipment	1,059,461	1,410,612
	Leasehold improvements	501,124	657,388
	Right of Use assets	7,118,330	0
		8,678,915	2,068,000
	Total non-current assets	8,678,915	2,068,000
	Current assets		
	Inventories		
	Raw materials and consumables	2,467,768	2,795,881
		2,467,768	2,795,881
	Receivables		
	Trade receivables	5,523,531	6,291,951
	Receivables from group entities	2,052,206	304,868
	Other receivables	698,132	523,004
	Prepayments	169,900	302,408
	Corporation tax	202,000	168,427
		8,645,769	7,590,658
	Cash	3,602,471	2,662,922
	Total current assets	14,716,008	13,049,461
	TOTAL ASSETS	23,394,923	15,117,461

Financial statements 1 January – 31 December

Balance sheet

Note	DKK	2019	2018
	EQUITY AND LIABILITIES		
	Equity		
6	Share capital	501,000	501,000
	Retained earnings	4,253,026	6,720,596
	Dividend proposed for the year	0	2,350,000
	Total equity	4,754,026	9,571,596
	Non-current liabilities		
	Deferred tax	0	36,843
7	Other provision	2,000,000	0
	Other payables	387,745	0
	Lease liability	4,956,728	0
	Total non-current liabilities	7,344,473	36,843
	Current liabilities		
	Trade payables	207,272	836,134
	Payables to group entities	6,994,387	2,209,997
	Prepayments received from customers	209,480	0
	Other payables	1,694,615	2,462,891
	Lease liability	2,190,670	0
	Total current liabilities	11,296,424	5,509,022
	Total liabilities	18,640,897	5,545,865
	TOTAL EQUITY AND LIABILITIES	23,394,923	15,117,461

1 Accounting policies
8 Related parties

Financial statements 1 January – 31 December

Statement of changes in equity

DKK	Share capital	Retained earnings	Dividend proposed for the year	Total
Equity at 1 January 2018	501,000	6,751,931	4,200,000	11,452,931
Dividend distribution			-4,200,000	-4,200,000
Transfer, see "Proposed distribution of profit/loss"		-31,335	2,350,000	2,318,665
Equity at 1 January 2019	501,000	6,670,596	2,350,000	9,571,596
Dividend distribution			-2,350,000	-2,350,000
Transfer, see "Proposed distribution of profit/loss"		-2,467,570		-2,467,570
Equity at 31 December 2019	501,000	4,253,026	0	4,754,026

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of Sto Danmark A/S for 2019 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

Changes in accounting policies

Sto Danmark A/S has from January 1, 2019 implemented the following new accounting policies:

- IFRS 16 Leases
- IFRS 15 Revenue from Contracts with Customers

IFRS 16 Leases:

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases in the balance sheet. Under the new accounting standard, the right of use of leased assets must be recognized as an asset in the balance sheet, while the corresponding lease liability must be recognized in interest-bearing debt. Lease payments are broken down in the income statement into a depreciation component and an interest component. As a result, operating profit before depreciation (EBITDA) will improve by the amount of the lease payment, while depreciation charges will increase by the amount of the estimated depreciation component and financial expenses will increase by the estimated interest component.

Sto Danmark A/S adopted IFRS 16 using the modified retrospective method, with the date of initial application of January 1, 2019. Therefore, comparative figures are not restated and the cumulative effect of initially applying the standard is recognized as an adjustment to the opening balance of retained earnings at the date of initial application. Sto Danmark A/S selected to use the transition practical expedient to not reassess whether existing contracts are, or contain, leases, as defined under IFRS 16 (IFRS 16.C3) at the date of initial application. This practical expedient is applied to all contracts ongoing at the date of initial application 1 January 2019. Instead, Sto Danmark A/S applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

Sto Danmark A/S also selected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets).

For the year ended December 31, 2019 adoption of IFRS 16 had the following impact:

- Sto Danmark A/S has initially recognized right-of-use assets of DKK 9,874 thousand and lease liabilities of DKK 9,874 thousand as of January 1, 2019. The cumulative effect on retained earnings are therefore DKK 0 thousand as of January 1, 2019.
- Depreciation expense increased due to recognized ROA which resulted in an increase of DKK 2,756 thousand.
- Rent expense related to previous operating leases decreased by DKK 1,781 thousand, while car leasing costs decreased by DKK 975 thousand.
- Finance cost increased by DKK 39 thousand relating to the interest expense on the lease liabilities.

IFRS 15 Revenue from Contracts with Customers:

IFRS 15 Revenue from Contracts with Customers established a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the considerations to which an entity expects to be entitled in exchange from transferring goods or services to a customer. Sto Danmark A/S adopted the new standard using the modified retrospective method of adoption with the date of initial application of January 1, 2019 under which the cumulative effect of initially applying IFRS 15 is recognized at the date of initial application as an adjustment to the opening balance of retained earnings and the comparative figures are not restated.

For the year ended December 31, 2019 adoption of IFRS 15 have had no impact.

Income statement

Revenue

The Company is in the business of selling surface materials to various industries.

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognized in revenue.

Variable consideration

If the consideration in a contract includes a variable amount, the company estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved. The Company does not provide customers with the right to return goods within a specified period of time.

Rights of return

The company uses the expected value method to estimate the variable consideration given the large number of contracts that have similar characteristics. The Company then applies the requirements on constraining estimates of variable consideration in order to determine the amount of variable consideration that can be included in the transaction price and recognized as revenue. A refund liability is recognized for the goods that are expected to be returned (i.e., the amount not included in the transaction price). A right of return asset (and corresponding adjustment to cost of sales) is also recognized for the right to recover the goods from the customer.

Significant financing component

The company applies the practical expedient for short-term advances received from customers. That is, the promised amount of consideration is not adjusted for the effects of a significant financing component if the period between the transfer of the promised good or service and the payment is one year or less.

Gross margin

With reference to section 32 of the Danish Financial Statements Act, the items 'Revenue', 'Cost of sales', 'Other external expenses' and 'Other operating income' are consolidated into one item designated 'Gross profit/loss'.

Other operating income

Other operating income comprises items secondary to the Company's activities, including rental income from temporary renting-out of production facilities.

Other external expenses

Other external expenses comprise expenses relating to distribution, sale, advertising, administration, premises, bad debts, operating leases, etc.

Staff costs

Staff costs comprise wages and salaries, including holiday allowance and pensions, and other social security costs, etc., for the Company's employees. Refunds received from public authorities are deducted from staff costs.

Financial income and expenses

Financial income and expenses comprise interest income and expense, charges in respect of finance leases, realised and unrealised gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Tax for the year

Tax for the year comprises current tax for the year and changes in deferred tax. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity. The tax expense recognised in the income statement relating to the extraordinary profit/loss for the year is allocated to this item whereas the remaining tax expense is allocated to the profit/loss for the year from ordinary activities.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Balance sheet

Property, plant and equipment

On initial recognition, items of property, plant and equipment are measured at cost.

Land and buildings, plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation. Land is not depreciated.

The basis of depreciation is based on the residual value of the asset at the end of its useful life and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

In case of changes in the depreciation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. Production overheads and borrowing costs are not included in cost.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

Depreciation is provided on a straight-line basis over the expected useful lives of the assets, which are as follows:

Fixtures and fittings, tools and equipment	8-10 years
Leasehold improvements	3-5 years

Gains and losses on the disposal of intangible assets are calculated as the difference between the selling price less costs to sell and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating expenses, respectively.

Leases

The company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Motor vehicles and other equipment 3 to 4 years
- Buildings 5 years

If ownership of the leased asset transfers to the company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section Impairment of non-current assets.

Lease liabilities

At the commencement date of the lease, the company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the company and payments of penalties for terminating the lease, if the lease term reflects the company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease-payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognized as expense on a straight-line basis over the lease term.

Impairment of non-current assets

The carrying amount of intangible assets and property, plant and equipment as well as investments in subsidiaries is tested annually for evidence of impairment other than the decrease in value reflected by amortisation/depreciation.

Impairment tests are conducted on individual assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is determined as the present value of the anticipated net cash flows from the use of the asset or group of assets.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Goods for resale and raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

Notes

1 Accounting policies (continued)

The net realisable value of inventories is calculated as the sales amount less costs of completion and expenses required to effect the sale and is determined taking into account marketability, obsolescence and developments in the expected selling price.

Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables with no objective indication of individual impairment are assessed for objective indication of impairment on a portfolio basis. The portfolios are primarily composed on the basis of debtors' domicile and credit ratings in accordance with the Company's credit risk management policy. The objective indicators used for portfolios are determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Prepayments

Prepayments comprise expenses incurred concerning subsequent financial years.

Equity

Dividend

Dividend proposed for the year is recognised as a liability at the date when it is adopted at the annual general meeting (declaration date). Dividend expected to be distributed for the financial year is presented as a separate line item under 'Equity'.

Corporation tax and deferred tax

Current tax payables and receivables are recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on prior-year taxable income and tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on the planned use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax value of tax loss carry forwards, are measured at the value at which they are expected to be utilised, either through elimination against tax on future earnings or through a set-off against deferred tax liabilities within the same legal tax entity. Any deferred net assets are measured at net realisable values.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Financial statements 1 January – 31 December

Notes

1 **Accounting policies (continued)**

Liabilities

Financial liabilities comprising amounts owed to credit institutions, trade payables and payables to group enterprises are recognised at the date of borrowing at cost, corresponding to the proceeds received less transaction costs paid. In subsequent periods, financial liabilities are measured at amortised cost.

Financial liabilities also include the capitalised residual lease liability in respect of finance leases.

Other liabilities are measured at net realisable value.

	DKK	2019	2018
2	**Staff costs**		
	Wages and salaries	10,160,513	10,594,455
	Pensions	990,794	930,955
	Other social security costs	507,812	411,674
		11,659,119	11,937,084
	Average number of full-time employees	20	20
3	**Amortisation, depreciation and impairment losses**		
	Depreciation of property, plant and equipment	3,293,363	614,105
		3,293,363	614,105
4	**Tax for the year**		
	Estimated tax on the taxable income for the year	0	726,573
	Adjustment of the deferred tax charge for the year	-36,843	36,843
	Adjustment of prior-year taxes	0	-50,426
		-36,843	712,990

Financial statements 1 January – 31 December

Notes

5 **Property, plant and equipment**

DKK	Right of use	Leasehold improvements	Fixtures and fittings, tools and equipment	Total
Cost at 1 January 2019	0	1,346,884	3,402,863	4,749,747
Additions	10,215,751	0	37,666	10,253,417
Disposals	-341,764	0	-117,940	-459,704
Cost at 31 December 2019	9,873,987	1,346,884	3,322,589	14,543,460
Depreciation and impairment losses at 1 January 2019	0	689,495	1,992,251	2,681,746
Depreciation	2,755,657	156,265	381,441	3,293,363
Depreciation, assets sold	0	0	-110,564	-110,564
Depreciation and impairment losses at 31 December 2019	2,755,657	845,760	2,263,128	5,864,545
Carrying amount at 31 December 2019	7,118,330	501,124	1,059,461	8,678,915

6 **Share capital**

The Company's share capital has amounted to DKK 501,000 for the past five years.

7 **Other provisions**

	2019	2018
Other provisions at 1 January	0	0
Provision for the year	2,000,000	0
Other provisions at 31 December	2,000,000	0

Other provisions comprise warranty commitments related to the Company's standard warranty commitment.

8 **Related parties**

The Company is included in the consolidated financial statements of: Sto SE & Co. KGaA, Germany.

The consolidated financial statements of Sto SE & CO. KGaA may be obtained from the Company or on the website www.sto.com.