Promovec A/S

Langdyssen 6, DK-8200 Aarhus N

Annual Report for 1 July 2022 - 30 June 2023

CVR No. 32 79 00 89

The Annual Report was presented and adopted at the Annual General Meeting of the company on 8/11 2023

Brian Christensen
Chairman of the general meeting

Contents

pwc

Management's statement

The Executive Board and Board of Directors have today considered and adopted the Financial Statements of Promovec A/S for the financial year 1 July 2022 - 30 June 2023.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 30 June 2023 of the Company and of the results of the Company operations for 2022/23.

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

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

Aarhus N, 8 November 2023

Executive Board

Jesper Lundqvist CEO	Monika Andersen Figen COO

Board of Directors

Gert Kristiansen Chairman	Kurt Schlott Hansen	Brian Christensen
Camilla Deichmann		

Independent Auditor's report

To the shareholder of Promovec A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 30 June 2023 and of the results of the Company´s operations for the financial year 1 July 2022 - 30 June 2023 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Promovec A/S for the financial year 1 July 2022 - 30 June 2023, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies (”the Financial Statements”).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the ”Auditor’s responsibilities for the audit of the Financial Statements” section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management’s Review

Management is responsible for Management’s Review.

Our opinion on the Financial Statements does not cover Management’s Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management’s Review and, in doing so, consider whether Management’s Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

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

Based on the work we have performed, in our view, Management’s Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management’s Review.

Management’s responsibilities for the Financial Statements

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

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

Independent Auditor's report

Auditor’s responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company´s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management’s use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company´s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Esbjerg, 8 November 2023

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Palle H. Jensen	Kim Ladegaard
State Authorised Public Accountant	State Authorised Public Accountant
mne32115	mne32799

pwc

Company information

The Company	Promovec A/S Langdyssen 6 DK-8200 Aarhus N Email: info@promovec.dk Website: www.promovec.dk CVR No: 32 79 00 89 Financial period: 1 July 2022 - 30 June 2023 Incorporated: 25 February 2010 Financial year: 14th financial year Municipality of reg. office: Århus
Board of Directors	Gert Kristiansen, chairman Kurt Schlott Hansen Brian Christensen Camilla Deichmann
Executive Board	Jesper Lundqvist Monika Andersen Figen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Esbjerg Brygge 28, 2. DK-6700 Esbjerg

Financial Highlights

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

	2022/23	2021/22	2020/21	2019/20	2018/19
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Gross profit/loss	43,033	55,370	59,787	28,996	31,966
Profit/loss of ordinary primary operations	8,381	23,867	32,971	8,094	13,347
Profit/loss before financial income and expenses	8,304	23,841	32,971	8,094	13,347
Profit/loss of financial income and expenses	-2,682	-279	-532	-1,273	-2,654
Net profit/loss	4,370	18,537	25,495	5,440	8,182
Balance sheet					
Balance sheet total	137,100	180,817	125,598	69,618	83,478
Investment in property, plant and equipment	3,189	2,140	1,059	422	318
Equity	50,137	59,767	44,231	20,735	17,295
Number of employees	60	60	58	48	33
Ratios					
Return on assets	6.1%	13.2%	26.3%	11.6%	16.0%
Solvency ratio	36.6%	33.1%	35.2%	29.8%	20.7%
Return on equity	8.0%	35.6%	78.5%	28.6%	94.6%

Management's review

Key activities

The Company's principal activity consists of development, production, sale and servicing of electric bikes and drivelines for electric bikes.

Development in the year

The income statement of the Company for 2022/23 shows a profit of DKK 4,369,508, and at 30 June 2023 the balance sheet of the Company shows positive equity of DKK 50,136,887.

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

Considering the difficult market situation that has characterized this past year, our result must be described as satisfactory, even though our targets for the year have not been met.

The reason for a satisfactory year is, that we have been able to act according to the situation and adjusted the organization to ensure the right focus. Further, many resources have been put into managing the difficulties in the market by a close collaboration with both our suppliers and our customers.

At the same time, we have been working on our long-term developments to ensure, that we are ready with new and improved products when the market normalizes. Moreover, we have a clear strategy and know where our focus should be for the coming years.

Special risks - operating risks and financial risks

Because of its operations, investments and financing, the Company is exposed to changes in the level of interest and exchange rates. The parent Company manages the financial risks of the Group centrally and coordinates the cash management of the Group, including funding and investment of surplus liquidity. The Group pursues a Board-approved finance policy operating with a low risk profile so that currency exposure, interest rate exposure and credit risks arise only based on commercial matters.

Foreign exchange risks

The Company does most of its trade in foreign currencies. The Company evaluates on a current basis the need for use of financial instruments to hedge net positions and future transactions.

Liquidity risks

Management assesses that the Company has the necessary funds available to meet the continued development of its activities.

Targets and expectations for the year ahead

In general, we are in a line of business with a positive development, but the slowdown in the market will continue longer than expected, which will influence us. We therefore expect our revenue and profit to be receding the coming year.

The end user priorities differently because of lower demand for consumer goods along with higher interest rates, resulting in a difficult market, where our customers are asking for postponement of orders. At the same time, our suppliers have raised prices without us being able to increase consumer prices.

Our focus next year will therefore be, to bring supplier prices back to normal conditions, together with a continued long-term growth focus, by ensuring our international sales expansion through strategic customers and our product developments.

Overall, the profit before tax in 2023/24 is expected to be DKK minus 2-4 million, with a negative cash flow.

Uncertainty relating to recognition and measurement

There has been no uncertainty regarding recognition and measurement in the Annual Report.

Management's review

Unusual events

The financial position at 30 June 2023 of the Company and the results of the activities and cash flows of the Company for the financial year for 2022/23 have not been affected by any unusual events.

Subsequent events

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

Income statement 1 July 2022 - 30 June 2023

	Note	2022/23	2021/22
		DKK	DKK
Gross profit		**43,033,000**	**55,369,790**
Staff expenses	2	-31,162,513	-28,637,414
Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment		-3,489,049	-2,865,635
Other operating expenses		-77,190	-25,342
Profit/loss before financial income and expenses		**8,304,248**	**23,841,399**
Financial income	3	933,459	1,163,888
Financial expenses	4	-3,615,738	-1,442,468
Profit/loss before tax		**5,621,969**	**23,562,819**
Tax on profit/loss for the year	5	-1,252,461	-5,025,968
Net profit/loss for the year	6	**4,369,508**	**18,536,851**

Balance sheet 30 June 2023

Assets

	Note	2022/23	2021/22
		DKK	DKK
Completed development projects		4,111,046	2,598,421
Development projects in progress		3,896,869	4,060,212
Intangible assets	7	**8,007,915**	**6,658,633**
Other fixtures and fittings, tools and equipment		4,831,622	3,924,050
Leasehold improvements		429,408	286,279
Property, plant and equipment	8	**5,261,030**	**4,210,329**
Other receivables	9	89,038	356,000
Fixed asset investments		**89,038**	**356,000**
Fixed assets		**13,357,983**	**11,224,962**
Inventories	10	**49,972,560**	**60,823,467**
Trade receivables		36,761,143	89,825,500
Receivables from group enterprises		23,763,257	11,662,786
Other receivables		1,988,160	3,337,481
Prepayments	11	4,229,984	3,930,407
Receivables		**66,742,544**	**108,756,174**
Cash at bank and in hand		**7,026,901**	**12,531**
Current assets		**123,742,005**	**169,592,172**
Assets		**137,099,988**	**180,817,134**

Balance sheet 30 June 2023

Liabilities and equity

	Note	2022/23	2021/22
		DKK	DKK
Share capital		5,000,000	5,000,000
Reserve for development costs		6,246,174	5,196,368
Retained earnings		38,890,713	35,571,011
Proposed dividend for the year		0	14,000,000
Equity		**50,136,887**	**59,767,379**
Provision for deferred tax	12	2,027,000	1,852,979
Other provisions	13	3,003,500	2,931,056
Provisions		**5,030,500**	**4,784,035**
Payables to group enterprises relating to corporation tax		1,078,440	0
Other payables		1,901,299	1,834,867
Long-term debt	14	**2,979,739**	**1,834,867**
Credit institutions		27,701,529	37,308,868
Trade payables		11,202,715	58,585,965
Payables to group enterprises		29,118,842	0
Payables to group enterprises relating to corporation tax		4,766,982	11,304,524
Other payables	14	6,162,794	7,231,496
Short-term debt		**78,952,862**	**114,430,853**
Debt		**81,932,601**	**116,265,720**
Liabilities and equity		**137,099,988**	**180,817,134**

	Note
Contingent assets, liabilities and other financial obligations	15
Related parties	16
Accounting Policies	17

Statement of changes in equity

	Share capital	Reserve for development costs	Retained earnings	Proposed dividend for the year	Total
	DKK	DKK	DKK	DKK	DKK
Equity at 1 July	5,000,000	5,196,368	35,571,011	14,000,000	59,767,379
Ordinary dividend paid	0	0	0	-14,000,000	-14,000,000
Development costs for the year	0	1,854,947	-1,854,947	0	0
Depreciation, amortisation and impairment for the year	0	-805,141	805,141	0	0
Net profit/loss for the year	0	0	4,369,508	0	4,369,508
Equity at 30 June	**5,000,000**	**6,246,174**	**38,890,713**	**0**	**50,136,887**

Notes to the Financial Statements

	2022/23	2021/22
	DKK	DKK

1. Other operating income

	2022/23 DKK	2021/22 DKK
Compensation regarding fire	1,436,521	0
Wage reimbursement	380,254	163,379
	1,816,775	**163,379**

2. Staff Expenses

	2022/23 DKK	2021/22 DKK
Wages and salaries	26,007,561	23,925,831
Pensions	3,767,983	3,542,907
Other social security expenses	205,161	206,073
Other staff expenses	1,181,808	962,603
	31,162,513	**28,637,414**
Including remuneration to the Executive Board and Board of Directors	**2,366,256**	**2,395,000**
Average number of employees	**60**	**60**

3. Financial income

	2022/23 DKK	2021/22 DKK
Interest received from group enterprises	933,459	218,652
Other financial income	0	945,236
	933,459	**1,163,888**

4. Financial expenses

	2022/23 DKK	2021/22 DKK
Interest paid to group enterprises	178,046	276,580
Other financial expenses	3,437,692	1,165,888
	3,615,738	**1,442,468**

Notes to the Financial Statements

5. Income tax expense

	2022/23	2021/22
	DKK	DKK
Current tax for the year	1,074,964	4,766,982
Deferred tax for the year	174,021	258,986
Adjustment of tax concerning previous years	3,476	0
	1,252,461	**5,025,968**

6. Profit allocation

	2022/23	2021/22
	DKK	DKK
Proposed dividend for the year	0	14,000,000
Retained earnings	4,369,508	4,536,851
	4,369,508	**18,536,851**

7. Intangible fixed assets

	Completed development projects	Develop-ment projects in progress
	DKK	DKK
Cost at 1 July	15,992,761	4,060,212
Additions for the year	0	2,381,514
Transfers for the year	2,544,857	-2,544,857
Cost at 30 June	18,537,618	3,896,869
Impairment losses and amortisation at 1 July	13,394,340	0
Amortisation for the year	1,032,232	0
Impairment losses and amortisation at 30 June	14,426,572	0
Carrying amount at 30 June	**4,111,046**	**3,896,869**
Amortised over	5 years	0 years

Development projects related to the development of new versions of the Company's existing products as well as expansion of the Company's product range. In FY 2022/23 we completed five development projects and eight new projects for the coming years have been started up.

This year, we finished more of our display developments, and they have been received positively in the market. We will continue the coming year with further developments. The batteries, that needed an upgrade due to changed legislations, have been finished, but we will continue with further new battery developments that are placed in the downtube, as this design is in high demand. For next year, our focus will be on developing our own platform technology, so we can reduce dependency on sub-suppliers. This way we can also make the green transition possible, by being able to choose more freely which supplier to use. Furthermore, we will strengthen our development focus within products adapted to the international market and make further developments together with our international strategic customers.

8. Property, plant and equipment

	Other fixtures and fittings, tools and equipment	Leasehold improvements
	DKK	DKK
Cost at 1 July	7,038,224	2,139,885
Additions for the year	2,782,790	406,707
Disposals for the year	0	-1,868,374
Cost at 30 June	9,821,014	678,218
Impairment losses and depreciation at 1 July	3,114,174	1,853,605
Depreciation for the year	1,875,218	146,389
Reversal of impairment and depreciation of sold assets	0	-1,751,184
Impairment losses and depreciation at 30 June	4,989,392	248,810
Carrying amount at 30 June	**4,831,622**	**429,408**
Amortised over	3-5 years	5 years

9. Other fixed asset investments

	Other receivables
	DKK
Cost at 1 July	356,000
Disposals for the year	-266,962
Cost at 30 June	89,038
Carrying amount at 30 June	**89,038**

Notes to the Financial Statements

	2022/23	2021/22
	DKK	DKK

10. Inventories

	2022/23	2021/22
Inventories - Finished goods and goods for resale	49,972,560	60,823,467
	49,972,560	**60,823,467**

11. Prepayments

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

	2022/23	2021/22
	DKK	DKK

12. Provision for deferred tax

	2022/23	2021/22
Deferred tax liabilities at 1 July	1,852,979	0
Amounts recognised in the income statement for the year	174,021	258,986
Amounts recognised in equity for the year	0	1,593,993
Deferred tax liabilities at 30 June	**2,027,000**	**1,852,979**

13. Other provisions

The Company provides warranties of 1 to 5 years on some of its products and is therefore obliged to repair or replace goods which are not satisfactory. Based on previous experience in respect of the level of repairs and returns, other provisions of kDKK 3,004 (2021/22: DKK 2,931) have been recognised for expected warranty claims.

	2022/23	2021/22
	DKK	DKK
Other provisions	3,003,500	2,931,056
	3,003,500	**2,931,056**

The provisions are expected to mature as follows:

	2022/23	2021/22
Within 1 year	2,633,774	2,559,650
Between 1 and 5 years	369,726	371,406
After 5 years	0	0
	3,003,500	**2,931,056**

14. Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	2022/23	2021/22
	DKK	DKK
Payables to group enterprises relating to corporation tax		
Between 1 and 5 years	1,078,440	0
Long-term part	1,078,440	0
Within 1 year	4,766,982	11,304,524
	5,845,422	**11,304,524**
Other payables		
After 5 years	0	0
Between 1 and 5 years	1,901,299	1,834,867
Long-term part	1,901,299	1,834,867
Within 1 year	0	0
Other short-term payables	6,162,794	7,231,496
	8,064,093	**9,066,363**

	2022/23	2021/22
	DKK	DKK

15. Contingent assets, liabilities and other financial obligations

Charges and security

The following assets have been placed as security with mortgage credit institutes:		
Company mortgage on nom. kDKK 32,000, which provides security in the Company's intangible and tangible fixed assets, inventories and debtors with an accounting value of DKK	100,002,648	146,064,689

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:		
Within 1 year	4,610,378	183,358
Between 1 and 5 years	17,608,334	311,163
After 5 years	39,359,355	0
	61,578,067	**494,521**

Notes to the Financial Statements

Guarantee obligations

Bank guarantee	2,166,570	0

The Company has provided a guarantee to Skjern Bank for the bank's facilities with BikeRep A/S and Promovec Group A/S. Contingent liabilities kDKK 11.

Other contingent liabilities

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of Jesper Lundqvist Holding ApS, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

16. Related parties and disclosure of consolidated financial statements

	Basis
Controlling interest	
Promovec Group A/S, Aarhus	Parent Company
Jesper Lundqvist Holding ApS	Ultimate Parent Company

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

Apart from the above, there have been no transactions with the Supervisory Board, the Executive Board, senior officers, significant shareholders, group enterprises or other related parties, except for intercompany transactions and normal management remuneration.

Ownership

The following shareholders are recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

Promovec Group A/S, Aarhus (parent company)

Consolidated Financial Statements

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

Name	Place of registered office
Jesper Lundqvist Holding ApS	Aarhus, Denmark
Promovec Group A/S	Aarhus, Denmark

Notes to the Financial Statements

17. Accounting policies

The Annual Report of Promovec A/S for 2022/23 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2022/23 are presented in DKK.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of , the Company has not prepared a cash flow statement.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Leases

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Company.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Translation policies

Danish kroner is used as the presentation currency. All other currencies are regarded as foreign currencies.

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the transaction date rates are recognised in financial income and expenses in the income statement; however, see the section on hedge accounting.

Notes to the Financial Statements

Income statements of foreign subsidiaries and associates that are separate legal entities are translated at transaction date rates or approximated average exchange rates. Balance sheet items are translated at the exchange rates at the balance sheet date. Exchange adjustments arising on the translation of the opening equity and exchange adjustments arising from the translation of the income statements at the exchange rates at the balance sheet date are recognised directly in equity.

Income statements of enterprises that are integrated entities are translated at transaction date rates or approximated average exchange rates; however, items derived from non-monetary balance sheet items are translated at the transaction date rates of the underlying assets or liabilities. Monetary balance sheet items are translated at the exchange rates at the balance sheet date, whereas non-monetary items are translated at transaction date rates. Exchange adjustments arising on the translation are recognised in financial income and expenses in the income statement.

Income statement

Net sales

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise expenses for premises, sales as well as office expenses, etc.

Gross profit

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, other operating income, expenses for raw materials and consumables and other external expenses.

Staff expenses

Staff costs include wages and salaries including compensated absence and pensions as well as other social security contributions etc. made to the entity's employees. The item is net of refunds made by public authorities.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of intangible assets and property, plant and equipment.

Notes to the Financial Statements

Financial income and expenses

Financial income and expenses comprise interest, financial expenses in respect of finance leases, realised and unrealised exchange adjustments, price adjustment of securities, amortisation of mortgage loans as well as extra payments and repayment under the on-account taxation scheme.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and deferred tax for the year. The tax attributable to the profit for year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

The Company is jointly taxed with Danish group companies. The tax effect of the joint taxation with the subsidiaries is allocated to Danish enterprises showing profits or losses in proportion to their taxable incomes (full allocation with credit for tax losses).

Balance sheet

Intangible fixed assets

Development projects

Costs of development projects comprise salaries, amortisation and other expenses directly or indirectly attributable to the Company's development activities.

Development projects that are clearly defined and identifiable and in respect of which technical feasibility, sufficient resources and a potential future market or development opportunity in the enterprise can be demonstrated, and where it is the intention to manufacture, market or use the project, are recognised as intangible assets. This applies if sufficient certainty exists that the value in use of future earnings can cover cost of sales, distribution and administrative expenses involved as well as the development costs.

Development projects that do not meet the criteria for recognition in the balance sheet are recognised as expenses in the income statement as incurred.

Capitalised development costs are measured at cost less accumulated amortisation and impairment losses or at a lower recoverable amount. An amount corresponding to the recognised development costs is allocated to the equity item 'Reserve for development costs'. The reserve comprises only development costs recognised in financial years beginning on or after 1 January 2016. The reserve is reduced by amortisation of and impairment losses on the development projects on a continuing basis.

As of the date of completion, capitalised development costs are amortised on a straight-line basis over the period of the expected economic benefit from the development work. The amortisation period is 5 year.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

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

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

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

Leasehold improvements	5 years

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment and investments are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

Goodwill, head office buildings and other assets for which a separate value in use cannot be determined as the asset does not on an individual basis generate future cash flows are reviewed for impairment together with the group of assets to which they are attributable.

Other fixed asset investments

Other fixed asset investments consist of deposit

Inventories

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

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses and costs of completion. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Prepayments

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

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate Dividend item.

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Notes to the Financial Statements

Other provisions include warranty obligations in respect of repair work within the warranty period of 1-5 years. Provisions are measured and recognised based on experience with guarantee work.

Deferred tax assets and liabilities

Deferred tax is recognised in respect of all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised in respect of temporary differences concerning goodwill not deductible for tax purposes and other items - apart from business acquisitions - where temporary differences have arisen at the time of acquisition without affecting the profit for the year or the taxable income.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. In cases where the computation of the tax base may be made according to alternative tax rules, deferred tax is measured on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities.

Deferred tax assets and liabilities are offset within the same legal tax entity.

Current tax receivables and liabilities

Current tax receivables and liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on taxable incomes for prior years. Tax receivables and liabilities are offset if there is a legally enforceable right of set-off and an intention to settle on a net basis or simultaneously.

Financial debts

Loans, such as loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Mortgage loans are measured at amortised cost, which for cash loans corresponds to the remaining loan. Amortised cost of debenture loans corresponds to the remaining loan calculated as the underlying cash value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the loan made over the term of the loan at the date of raising the loan.

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

Financial Highlights

Explanation of financial ratios

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