Baker Tilly Denmark Godkendt
Revisionspartnerselskab
CVR-nr. 35 25 76 91

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Poul Bundgaards Vej 1, 1.
2500 Valby

Odense
Hjallesevej 126
5230 Odense M

Hovmarksvej Holding ApS

Hovmarksvej 38, 2920 Charlottenlund

CVR no. 33 23 90 84

Annual report for 2019

Adopted at the annual general meeting on 30 June 2020

Torsten Brovang
chairman

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Statement by management on the annual report

The executive board has today discussed and approved the annual report of Hovmarksvej Holding ApS for the financial year 1 January - 31 December 2019.

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

In our opinion, the consolidated financial statements and parent financial statements give a true and fair view of the company and the group financial position at 31 December 2019 and of the results of the group and the company operations and consolidated cash flows for the financial year 1 January - 31 December 2019.

In our opinion, management's review includes a fair review of the matters dealt with in the management's review.

Management recommends that the annual report should be approved by the company in general meeting.

Gentofte, 30 June 2020

Executive board

Torsten Brovang

Helene Seck Brovang

Independent auditor's report

To the shareholders of Hovmarksvej Holding ApS

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Hovmarksvej Holding ApS for the financial year 1 January - 31 December 2019, which comprise income statement, balance sheet, statement of changes in equity, notes and summary of significant accounting policies, for both the group and the parent company as well as consolidated cash flow statement. The consolidated financial statements and the parent companyfinancial statements are prepared under the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the group and the parent company's financial position at 31 December 2019 and of the results of the group and the parent company's operations and consolidated cash flows 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 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 consolidated financial statements and parent company ” section of our report. We are independent of the group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) 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.

Management's responsibilities for the consolidated financial statements and the financial statements

Management is responsible for the preparation of consolidated financial statements and parent company 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 the consolidated financial statements and the parent company the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and parent company financial statements, management is responsible for assessing the group's and the parent 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 consolidated financial statements and parent company financial statements unless management either intends to liquidate the group or the company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and parent company financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and parent company 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 consolidated financial statements and parent company financial statements.

Independent auditor's report

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and parent company 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 group's and the parent 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 consolidated financial statements and parent company 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 group's and the parent 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 consolidated financial statements and parent company 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 group and the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the consolidated financial statements and parent company financial statements, including the disclosures, and whether the consolidated financial statements and parent company financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient and appropriate audit evidence regarding the financial information for the group's entities or business activities to express an opinion on the consolidated financial statements. We are responsible for directing, supervising and conducting the audit of the group. We alone are responsible for our audit opinion.

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.

Independent auditor's report

Statement on management's review

Management is responsible for management's review.

Our opinion on the consolidated financial statements and parent company 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 consolidated financial statements and parent company financial statements, our responsibility is to read management's review and, in doing so, consider whether management's review is materially inconsistent with the consolidated financial statements and parent company 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, we conclude that management's review is in accordance with the consolidated financial statements and parent company 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 management's review.

Copenhagen, 30 June 2020

Baker Tilly Denmark
Godkendt Revisionspartnerselskab
CVR no. 35 25 76 91

Peter Aagesen
State Authorised Public Accountant
MNE no. mne41287

Company details

The company	Hovmarksvej Holding ApS Hovmarksvej 38 2920 Charlottenlund	
	CVR no.:	33 23 90 84
	Reporting period:	1 January - 31 December 2019
	Incorporated:	30. September 2010
	Domicile:	Gentofte
Executive board	Torsten Brovang Helene Seck Brovang	
Auditors	Baker Tilly Denmark Godkendt Revisionspartnerselskab Poul Bundgaards Vej 1, 1. 2500 Valby	

Financial highlights

Seen over a 2-year period, the development of the Company may be described by means of the following financial highlights:

	Group	
	2019	2018
	T.DKK	T.DKK
Key figures		
Gross profit/loss	186.674	148.546
Profit/loss before amortisation/depreciation and impairment losses	176.785	140.697
Profit/loss before net financials	120.145	97.787
Net financials	-59.104	-67.613
Profit/loss for the year	43.616	19.610
Balance sheet		
Balance sheet total	770.070	757.452
Equity	64.587	20.418
Number of employees	13	11
Financial ratios		
Gross margin	94,4%	95,6%
EBIT margin	60,8%	63,0%
Return on assets	15,7%	25,8%
Solvency ratio	8,4%	2,7%
Current ratio	631,8%	571,3%

The financial ratios are calculated in accordance with the Danish Finance Society's recommendations and guidelines. For definitions, see the summary of significant accounting policies..

Management's review

Business review

The company's main activity is to own companies in the insurance agent industry and companies in the financial industry.

Hovmarksvej Holding ApS (the “Company”), is a company incorporated in Denmark. The Company’s activities are to act as a Danish intermediate holding company to its subsidiaries incorporated in Denmark and the UK, and an indirect subsidiary incorporated in Poland (together the “Indigo Group”).

The UK and Danish subsidiaries operate as independent insurance underwriting agencies focused on providing group and individual life, personal accident and disability insurance as well as Keyman and workers’ compensation insurance. The UK subsidiary, Indigo Underwriters Ltd also provides Track Day Insurances under the brand name “Moris track day” insurance. The Polish companies handles various agency tasks related to the bancassurance industry.

In May 2019 Latona S.A (an indirect subsidiary acquired in March 2018) acquired a subsidiary Bimmer Sp. z o.o, (“Bimmer”) which is incorporated in Poland as well. Bimmer is a former subsidiary of Bank Handlowy w Warszawie S.A. (Citi Group) and conducts insurance agency operations with respect to group insurance agreements between Bank Handlowy w Warszawie S.A. and insurers operating in Poland and Irleand. Bimmer acts as an agent carrying out agency duties related to insurance contracts, and in collaboration with the Bank Handlowy w Warszawie S.A. performs tasks including ongoing exchange and validation of reports of insured persons and properties, as well as settling insurance premiums payable to insurers.

Future development

Apart from plans to make further acquisitions in Poland, due to the positive experience of the Polish bancassurance business, the Directors do not foresee any significant changes to the Indigo Group’s and Company’s activities going forward.

Recognition and measurement uncertainties

The Group's assets, liabilities and financial position per 31 December 2019 and the result of the Group's activities and cash flows for the financial year 2019 are not affected by unusual circumstances. Furthermore, there are no uncertainties in recognition and measurement in the consolidated financial statement.

Unusual matters

The Group has some exposure to foreign exchange risk as income arises in currencies other than Danish Kroner (DKK). However, most of its expense base are matched with similar income in the same currency.

The Company has no significant exposure to other market risk (price or interest risk), credit or liquidity risk.

Financial review

The group's income statement for the year ended 31 December 2019 shows a profit of DKK 43.615.881, and the balance sheet at 31 December 2019 shows equity of DKK 64.586.545.

Management's review

In previous years, the Parent Company's accounts were presented in the Financial Statements Act's provisions for Class B, but in the accounting year, they have been transferred to mid-size Class C.

The transition does not result in changes in profit, equity or balance sheet comparative figures for 2018. Consolidated financial statements have been prepared in 2019, as a result of the Group's transition to Class C accounting.

Significant events occurring after the end of the financial year

After expiry of the financial year, there has been an outbreak and spread of the coronavirus due to the COVID-19 pandemic. However, the company is not expected to be significantly affected by the outbreak. Although we are at an early stage in terms of assessing the impact, management still expects that the outbreak will have no considerable financial impact on the company during the financial year ahead.

Extra ordinary dividend of T.DKK 600 was approved and distributed in February 2020.

No other events have occurred which could significantly affect the group's financial position.

Income statement 1 January - 31 December

		Group		Parent Company	
	Note	2019	2018	2019	2018
		DKK	DKK	DKK	DKK
Gross profit		**186.673.903**	**148.545.722**	**-192.234**	**-26.100**
Staff costs	1	-9.888.986	-7.848.753	0	0
Profit/loss before amortisation/depreciation and impairment losses		**176.784.917**	**140.696.969**	**-192.234**	**-26.100**
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-56.004.626	-41.103.406	0	0
Other operating costs		-634.988	-1.807.002	0	0
Profit/loss before net financials		**120.145.303**	**97.786.561**	**-192.234**	**-26.100**
Income from investments in subsidiares		0	0	43.860.242	19.643.389
Financial income		1.921.839	198.121	0	0
Financial costs		-61.025.571	-67.811.343	-52.127	-7.410
Profit/loss before tax		**61.041.571**	**30.173.339**	**43.615.881**	**19.609.879**
Tax on profit/loss for the year	2	-12.552.330	-8.378.748	0	0
Profit/loss before minority interests		**48.489.241**	**21.794.591**	**43.615.881**	**19.609.879**
Minority interests' share of net profit/loss of subsidiaries		-4.873.360	-2.184.712	0	0
Profit/loss for the year		**43.615.881**	**19.609.879**	**43.615.881**	**19.609.879**
Distribution of profit	3				

Balance sheet 31 December

		Group		Parent Company	
	Note	2019	2018	2019	2018
		DKK	DKK	DKK	DKK
Assets					
Software and license		1.043.627	1.349.734	0	0
Goodwill		691.500.308	709.239.830	0	0
Intangible assets	4	**692.543.935**	**710.589.564**	**0**	**0**
Other fixtures and fittings, tools and equipment		597.078	738.047	0	0
Tangible assets	5	**597.078**	**738.047**	**0**	**0**
Investments in subsidiaries	6	0	0	49.557.503	21.074.760
Deposits		45.749	0	0	0
Fixed asset investments		**45.749**	**0**	**49.557.503**	**21.074.760**
Total non-current assets		**693.186.762**	**711.327.611**	**49.557.503**	**21.074.760**
Trade receivables		15.362.761	15.744.373	0	0
Receivables from subsidiaries		0	0	472.761	472.761
Other receivables		857.443	655.215	109.245	105.783
Deferred tax asset		18.580.965	6.471.098	0	0
Prepayments	7	18.824.032	16.879.414	0	0
Receivables		**53.625.201**	**39.750.100**	**582.006**	**578.544**
Cash at bank and in hand		**23.258.273**	**6.373.882**	**15.623.146**	**906**
Total current assets		**76.883.474**	**46.123.982**	**16.205.152**	**579.450**
Total assets		**770.070.236**	**757.451.593**	**65.762.655**	**21.654.210**

Balance sheet 31 December

		Group		Parent Company	
	Note	2019	2018	2019	2018
		DKK	DKK	DKK	DKK
Equity and liabilities					
Share capital		80.000	80.000	80.000	80.000
Reserve for net revaluation under the equity method		0	0	48.331.941	19.849.198
Other reserves		1.670.782	0	0	0
Retained earnings		62.835.763	20.338.188	16.174.604	488.990
Equity		**64.586.545**	**20.418.188**	**64.586.545**	**20.418.188**
Minority interests		**5.506.389**	**2.341.640**	**0**	**0**
Provision for deferred tax		14.057.468	5.731.822	0	0
Other provisions		23.178.550	15.248.720	0	0
Total provisions		**37.236.018**	**20.980.542**	**0**	**0**
Subordinate loan capital		438.320	413.595	0	0
Other credit institutions		650.032.044	704.928.034	0	0
Other payables		102.873	295.596	0	0
Total non-current liabilities	8	**650.573.237**	**705.637.225**	**0**	**0**
Short-term part of lon-term debt	8	235.845	0	0	0
Other credit institutions		0	331	0	0
Trade payables		5.230.199	3.789.258	0	0
Payables to subsidiaries		0	0	1.006.110	885.663
Payables to shareholders and management		0	1.446.330	0	331.609
Corporation tax		413.907	646.420	0	0
Other payables		4.242.573	1.911.220	170.000	18.750
Deferred income	9	2.045.523	280.439	0	0
Total current liabilities		**12.168.047**	**8.073.998**	**1.176.110**	**1.236.022**
Total liabilities		**662.741.284**	**713.711.223**	**1.176.110**	**1.236.022**
Total equity and liabilities		**770.070.236**	**757.451.593**	**65.762.655**	**21.654.210**

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Statement of changes in equity

Group

	Share capital	Other reserves	Retained earnings	Total
	DKK	DKK	DKK	DKK
Equity at 1 January	80.000	0	20.338.188	20.418.188
Exchange adjustment, foreign	0	0	552.476	552.476
Net profit/loss for the year	0	1.670.782	41.945.099	43.615.881
Equity at 31 December	**80.000**	**1.670.782**	**62.835.763**	**64.586.545**

Parent Company

	Share capital	Reserve for net re-valuation under the equity method	Retained earnings	Total
	DKK	DKK	DKK	DKK
Equity at 1 January	80.000	19.849.198	488.990	20.418.188
Exchange adjustment, foreign	0	552.476	0	552.476
Net profit/loss for the year	0	27.930.267	15.685.614	43.615.881
Equity at 31 December	**80.000**	**48.331.941**	**16.174.604**	**64.586.545**

Extra ordinary dividend of T.DKK 600 was approved and distributed in February 2020.

Cash flow statement 1 January - 31 December

	Note	Group 2019 DKK	Group 2018 DKK
Net profit/loss for the year		43.615.881	19.609.879
Adjustments		125.676.517	114.792.796
Change in working capital		11.699.347	-21.257.146
Cash flows from operating activities before financial income and expenses		**180.991.745**	**113.145.529**
Financial income		1.921.839	198.121
Financial expenses		-61.025.571	-67.811.343
Cash flows from ordinary activities		**121.888.013**	**45.532.307**
Corporation tax paid		-16.461.054	-3.836.187
Cash flows from operating activities		**105.426.959**	**41.696.120**
Purchase of intangible assets		-30.339.916	-750.455.954
Purchase of property, plant and equipment		-114.729	-1.677.711
Cash flows from investing activities		**-30.454.645**	**-752.133.665**
Loans from credit institutions		-54.896.321	704.928.365
Dividend paid		-1.769.997	0
Other adjustments		-1.421.605	1.765.511
Cash flows from financing activities		**-58.087.923**	**706.693.876**
Change in cash and cash equivalents		**16.884.391**	**-3.743.669**
Cash and cash equivalents		6.373.882	10.117.551
Cash and cash equivalents		**23.258.273**	**6.373.882**
Analysis of cash and cash equivalents:			
Cash at bank and in hand		23.258.273	6.373.882
Cash and cash equivalents		**23.258.273**	**6.373.882**

Notes

		Group		Parent Company	
		2019	2018	2019	2018
		DKK	DKK	DKK	DKK
1	**Staff costs**				
	Wages and salaries	9.175.217	7.329.573	0	0
	Pensions	452.690	366.734	0	0
	Other social security costs	261.079	152.446	0	0
		9.888.986	**7.848.753**	**0**	**0**
	Average number of employees	13	11	2	2

According to section 98 B(3) of the Danish Financial Statements Act, renumeration to the Executive Board has not been disclosed.

		Group 2019	Group 2018	Parent 2019	Parent 2018
2	**Tax on profit/loss for the year**				
	Current tax for the year	16.228.541	9.123.921	0	0
	Deferred tax for the year	-3.737.852	-745.173	0	0
	Adjustment of tax concerning previous years	61.641	0	0	0
		12.552.330	**8.378.748**	**0**	**0**

		Group 2019	Group 2018	Parent 2019	Parent 2018
3	**Distribution of profit**				
	Reserve for net revaluation under the equity method	0	0	27.930.267	19.643.389
	Other reserves	1.670.782	0	0	0
	Retained earnings	41.945.099	19.609.879	15.685.614	-33.510
		43.615.881	**19.609.879**	**43.615.881**	**19.609.879**

Notes

4 Intangible assets

Group

	Software and license	Goodwill
	DKK	DKK
Cost at 1 January	1.677.711	757.816.713
Additions for the year	6.453	30.333.463
Cost at 31 December	1.684.164	788.150.176
Impairment losses and amortisation at 1 January	312.968	40.663.034
Depreciation for the year	327.569	55.986.834
Impairment losses and amortisation at 31 December	640.537	96.649.868
Carrying amount at 31 December	**1.043.627**	**691.500.308**

5 Tangible assets

Group

	Other fixtures and fittings, tools and equipment
	DKK
Cost at 1 January	1.005.561
Additions for the year	114.729
Disposals for the year	-1.737
Cost at 31 December	1.118.553
Impairment losses and depreciation at 1 January	259.307
Depreciation for the year	263.905
Reversal of impairment and depreciation of sold assets	-1.737
Impairment losses and depreciation at 31 December	521.475
Carrying amount at 31 December	**597.078**

Notes

		Group		Parent Company	
		2019	2018	2019	2018
		DKK	DKK	DKK	DKK
6	**Investments in subsidiaries**				
	Cost at 1 January	0	0	1.225.562	1.225.562
	Cost at 31 December	0	0	1.225.562	1.225.562
	Revaluations at 1 January	0	0	19.849.198	449.679
	Exchange rate adjustment	0	0	552.476	-243.870
	Profit of the year	0	0	43.860.242	19.643.389
	Received dividend	0	0	-15.929.975	0
	Revaluations at 31 December	0	0	48.331.941	19.849.198
	Carrying amount at 31 December	**0**	**0**	**49.557.503**	**21.074.760**

Group

Investments in subsidiaries are specified as follows:

Name	Registered office	Ownership interest
Indigo Agencies Holdings Ltd	United Kingdom	90%

7 **Prepayments**

Prepayments consist of prepaid costs relating to rent, insurance premiums, subscriptions, etc.

Notes

8 Long term debt

Group	Debt at 1 January	Debt at 31 December	Instalment next year	Debt outstanding after 5 years
	DKK	DKK	DKK	DKK
Subordinate loan capital	413.595	438.320	0	0
Other credit institutions	704.928.034	650.032.044	0	650.032.044
Other payables	295.596	338.718	235.845	0
	705.637.225	**650.809.082**	**235.845**	**650.032.044**

9 Deferred income

Prepayments are prepaid income received in subsequent years, etc.

10 Contingent liabilities

The Group has entered into operating leasing and leasing agreements where the total obligations is T.DKK 643.

The affiliated companies in the Group are jointly taxed and jointly and severally liable with other jointly taxed companies for payment of income taxes as well as for payment of withholding taxes on dividends, interest and royalties.

11 Mortgages and collateral

As security for subsidiaries bank debt, the group has pledged the shares in the subsidiary, Latona S.A.

12 Related parties and ownership structure

Transactions

Apart from intercompany transactions eliminated in the group financial statements and usual management remuneration, there have been no significant transactions with the board of directors, affiliated companies, or other related parties. All transactions have been on market terms.

Notes

12 Related parties and ownership structure (continued)

Ownership structure

According to the company’s register of shareholders, the following shareholder holds at least 5% of the votes or at least 5% of the share capital:

Torsten Brovang
Hovmarksvej 38
2920 Charlottenlund

Helene Seck Brovang
Hovmarksvej 38
2920 Charlottenlund

Accounting policies

The annual report of Hovmarksvej Holding ApS for 2019 has been prepared in accordance with the provisions of the Danish Financial Statements Act concerning medium-sized reporting class C entities.

In previous years, the Parent Company's accounts were presented in the Financial Statements Act's provisions for Class B, but in this fiscal year, the group transferred to Class C. The transition does not result in changes in profit, equity or balance sheet comparative figures for 2018. Consolidated financial statements have been prepared in 2019, as a result of the Group's transition to Class C accounting.

The accounting policies are identical for both the parent company financial statements and the consolidated financial statements.

The annual report for 2019 is presented in DKK

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including amortisation, depreciation and impairment losses, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the group's and the parent company's 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 from the group's and the parent company's and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. On subsequent recognition, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost using the effective interest method. Amortised cost is calculated as the historic cost less any installments and plus/less the accumulated amortisation of the difference between the cost and the nominal amount.

On recognition and measurement, allowance is made for predictable losses and risks which occur before the annual report is presented and which confirm or invalidate matters existing at the balance sheet date.

Consolidated financial statements

The consolidated financial statements comprise the parent company Hovmarksvej Holding ApS and subsidiaries in which the parent company, directly or indirectly, holds more than 50% of the voting rights or otherwise has a controlling interest. Entities in which the Group holds between 20% and 50% of the voting rights and over which it exercises significant influence, but which it does not control, are considered associates, cf. the group chart.

On consolidation, intra-group income and expenses, holdings of shares, intra-group balances and dividends as well as realised and unrealised gains and losses on intra-group transactions are eliminated.

Accounting policies

Investments in subsidiaries are set off against the proportionate share of the subsidiaries' fair value of net assets and liabilities at the acquisition date.

Entities acquired or formed during the year are recognised in the consolidated financial statements from the date of acquisition. Entities disposed of are recognised in the consolidated income statement until the date of disposal. Comparative figures are not restated for acquisitions or disposals.

Income statement

Revenue

Income from the sale of goods is recognised in the income statement, provided that the transfer of risk, usually on delivery to the buyer, has taken place and that the income can be measured reliably and is expected to be received.

Other operating income

Other operating income comprises items of a secondary nature relative to the company's activities, including gains on the sale of intangible assets and property, plant and equipment.

Other operating expenses

Other operating expenses comprise items of a secondary nature relative to the company's activities, including losses on the sale of intangible assets and property, plant and equipment.

Other external costs

Other external costs include expenses related to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Staff costs

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 the year's amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year. Net financials include interest income and expenses, realised and unrealised capital/exchange gains and losses on foreign currency transactions, amortisation of mortgage loans and surcharges and allowances under the advance-payment-of-tax scheme, etc.

Accounting policies

Profit/loss from investments in subsidiaries

The proportionate share of the profit/loss for the year of subsidiaries is recognised in the parent company's income statement after full elimination of intra-group profits/losses.

Tax on profit/loss for the year

The parent company is subject to the Danish rules on compulsory joint taxation of the Group's Danish subsidiaries. Subsidiaries participate in the joint taxation arrangement from the time when they are included in the consolidated financial statements and until the time when they withdraw from the consolidation.

On payment of joint taxation contributions, the current Danish income tax is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have been able to use tax losses to reduce their own taxable profits.

Tax for the year, which comprises the current tax charge for the year and changes in the deferred tax charge, is recognised in the income statement as regards the portion that relates to the profit/loss for the year and directly in equity as regards the portion that relates to entries directly in equity.

Balance sheet

Intangible assets

Goodwill

Gains or losses on disposal of subsidiaries and associates are stated as the difference between the sales amount and the carrying amount of net assets at the date of disposal plus non-amortised goodwill and anticipated disposal costs.

Acquisitions of entities are accounted for using the purchase method, according to which the acquirees' identifiable assets and liabilities are measured at fair value at the date of acquisition. Provision is made for expenses to adopted and announced plans to restructure the acquired entity in connection with the acquisition. Allowance is made for the tax effect of revaluations made.

Any excess of the cost over the fair value of the identifiable assets and liabilities acquired (goodwill), including restructuring provisions, is recognised as intangible assets and amortised on a systematic basis in the income statement based on an individual assessment of the useful life of the asset. Goodwill arising on acquisition can be restated until the end of the year after the acquisition.

Acquired goodwill is measured at cost less accumulated amortisation and impairment losses.

Goodwill is amortised over the expected economic life of the asset, measured by reference to management's experience in the individual business segments. Goodwill is amortised on a straight-line basis over the amortisation period, which is between 5 and 14 years. The amortisation period is based on the assessment that the entities in question are strategically acquired entities with a strong market position and a long-term earnings profile.

Accounting policies

Software and license

Software and license are measured at cost less accumulated amortisation and impairment losses. Software are amortised on a straight-line basis over the remaining period, and licenses are amortised over the term of the licence, however not more than 5 years.

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

Tangible assets

Items of plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

The depreciable amount is cost less the expected residual value at the end of the useful life.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub-suppliers and wages.

Straight-line depreciation is provided on the basis of the following estimated useful lives of the assets:

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

Gains or losses from the disposal of property, plant and equipment are recognised in the income statement as other operating income or other operating expenses, respectively.

Investments in subsidiaries

Investments in subsidiaries are measured at the proportionate share of the net asset value of the entities, calculated on the basis of the group's accounting policies, plus or less unrealised intra-group gains or losses and plus or less any remaining value of positive or negative goodwill stated according to the purchase method.

Investments in subsidiaries with a negative net asset value are measured at DKK 0, and the carrying amount of any receivables from these entities is reduced to the extent that they are considered irrecoverable. If the parent company has a legal or constructive obligation to cover a deficit that exceeds the receivable, the balance is recognised under provisions.

Net revaluations of investments in subsidiaries are taken to the net revaluation reserve according to the equity method in so far as that the carrying amount exceeds the cost. Dividends from subsidiaries which are expected to be declared before the annual report of Hovmarksvej Holding ApS is adopted are not taken to the net revaluation reserve.

Acquisitions are accounted for using the purchase method, cf. the above description of the statement of goodwill.

Accounting policies

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 is impaired, an impairment loss for that individual asset is recognised.

Prepayments

Prepayments recognised under 'Current assets' comprises expenses incurred concerning subsequent financial years.

Provisions

Provisions comprise expected expenses relating to warranty commitments, losses on work in progress, restructuring, etc. Provisions are recognised when, as a result of a past event, the group has a legal or constructive obligation and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Income tax and deferred tax

Current tax liabilities and current tax receivables are recognised in the balance sheet as the estimated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and tax paid on account.

Deferred tax is measured according to the liability method in respect of temporary differences between the carrying amount of assets and liabilities and their tax base, calculated on the basis of the planned use of the asset and settlement of the liability, respectively.

Deferred tax is measured according to the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax adjustments resulting from changes in tax rates are recognised in the income statement, with the exception of items taken directly to equity.

Liabilities

Financial liabilities are recognised on the raising of the loan at the proceeds received net of transaction costs incurred. On subsequent recognition, the financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest method. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Other liabilities, which include trade payables, payables to group entities and other payables, are measured at amortised cost, which is usually equivalent to nominal value.

Deferred income

Deferred income recognised under 'Current liabilities' comprises payments received concerning income in subsequent financial years.

Accounting policies

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses. If foreign currency transactions are considered cash flow hedges, the value adjustments are taken directly to equity.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Cash flow statement

The cash flow statement shows the group's cash flows for the year, broken down under cash flows from operating, investing and financing activities, the year's changes in cash and cash equivalents and the group's cash and cash equivalents at the beginning and at the end of the year.

The cash flow effect of additions and disposals of entities is shown separately under cash flows from investing activities. The cash flow statement includes cash flows from acquired entities from the time of acquisition, and cash flows from sold entities are included until the date of sale.

Cash flows from operating activities

Cash flows from operating activities are stated as the group's profit or loss for the year, adjusted for non-cash operating items, changes in working capital and paid income taxes.

Cash flows from investing activities

Cash flows from investing activities comprise payments related to the acquisition and sale of entities and activities as well as intangible assets, property, plant and equipment and investments.

Cash flows from financing activities

Cash flows from financing activities comprise changes in the size or composition of the group's share capital and related costs, as well as the raising of loans, repayment of interest-bearing debt and payment of dividends to shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term securities whose remaining life is less than three months and which are readily convertible into cash and which are subject only to insignificant risks of changes in value.

Accounting policies

Financial highlights

Definitions of financial ratios.

Gross margin ratio	$\frac{\text{Gross profit x 100}}{\text{Revenue}}$
EBIT margin	$\frac{\text{Profit/loss before financials x 100}}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit/loss before financials x 100}}{\text{Average assets}}$
Solvency ratio	$\frac{\text{Equity at year-end x 100}}{\text{Total assets at year-end}}$
Current ratio	$\frac{\text{Total current assets x 100}}{\text{Short-term liabilities}}$