

Hovmarksvej Holding ApS

Hovmarksvej 38, 2920 Charlottenlund

CVR no. 33 23 90 84

**Annual report for the period
1 January to 31 December 2022**

Adopted at the annual general meeting on 27 June
2023

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 2022.

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 2022 and of the results of the group and the company operations and consolidated cash flows for the financial year 1 January - 31 December 2022.

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, 27 June 2023

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 2022, which comprise a summary of significant accounting policies, income statement, balance sheet, statement of changes in equity and notes, for both the group and the parent company as well as consolidated cash flow statement. The consolidated financial statements and the parent company financial 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 2022 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 2022 in accordance with the Danish Financial Statements Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 and IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the 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 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.

Independent auditor's report

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.

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 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.

Independent auditor's report

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 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, 27 June 2023

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

Peter Aagesen
statsautoriseret revisor
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 2022
Incorporated: 30 September 2010

Domicile: Gentofte

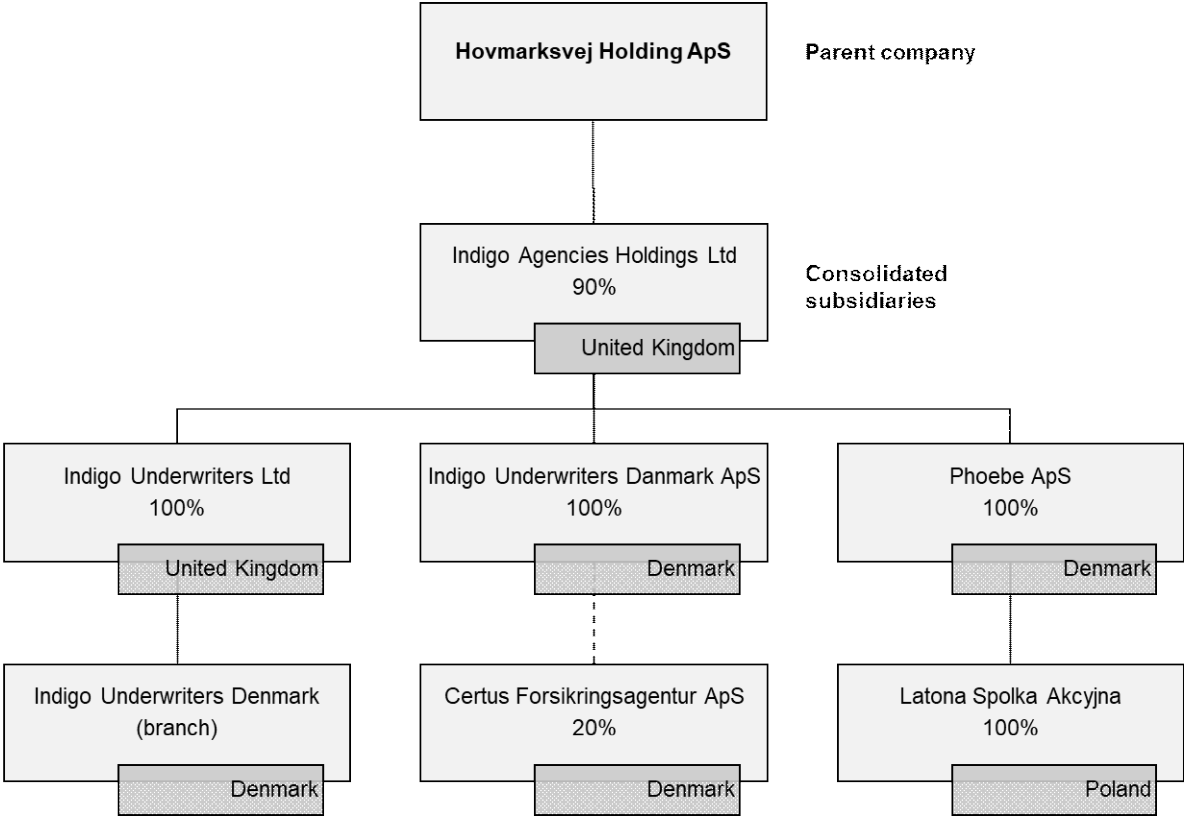
Executive board

Torsten Brovang
Helene Seck Brovang

Auditors

Baker Tilly Denmark
Godkendt Revisionspartnerselskab
Poul Bundgaards Vej 1, 1.
2500 Valby

Group chart



Financial highlights

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

	Group				
	2022	2021	2020	2019	2018
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Gross profit/loss	136.949	143.021	165.340	186.674	148.546
Profit/loss before amortisation/depreciation and impairment losses	125.026	132.145	154.513	176.785	140.697
Profit/loss before net financials	72.710	78.462	99.133	120.145	97.787
Net financials	-34.790	-35.459	-42.957	-59.104	-67.613
Profit/loss for the year	28.833	33.293	38.161	48.489	19.610
Balance sheet					
Balance sheet total	515.743	613.747	664.058	770.070	757.452
Investment in property, plant and equipment	-142	-233	-232	-115	0
Equity	138.245	131.038	103.668	70.093	22.760
Financial ratios					
Gross margin	99,1%	93,5%	93,9%	94,4%	95,6%
EBIT margin	52,6%	51,3%	56,3%	60,8%	63,0%
Return on assets	12,9%	12,3%	13,8%	15,7%	25,8%
Solvency ratio	26,8%	21,4%	15,6%	9,1%	3,0%
Return on equity	21,4%	28,4%	43,9%	104,4%	172,3%
Current ratio	45,9%	78,1%	631,8%	571,3%	0,0%
Number of employees	13	15	13	13	11

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 artistic 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, Danish and Polish subsidiaries operate as independent insurance underwriting agencies focused on underwriting and managing speciality lines of insurance and reinsurance.

The UK subsidiary, Indigo Underwriters Ltd also provides Track Day Insurances under the brand name "Moris Track Day" insurance. See "trackday.moris.co.uk"

Its sister company Indigo Underwriters Danmark ApS has started offering Track Day Insurances in Denmark and Sweden as well under the name "trackdayinsurance.com". Furthermore, a new travel insurance product has been introduced allowing travelers, who previously have had their application for travel insurances from other insurance companies declined, to obtain a travel insurance. This product is offered via the website "rejsalligevel.dk".

The Polish company underwrites and manages employee benefit insurance and general bancassurance business.

Financial review

The group's income statement for the year ended 31 December 2022 shows a profit of DKK 28.833.227, and the balance sheet at 31 December 2022 shows equity of DKK 138.245.077.

Future development

The management of HHA expects to continue the growth of the group including further acquisitions in the insurance market. Plans also exists 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 2022 and the result of the Group's activities and cash flows for the financial year 2022 are not affected by unusual circumstances.

Furthermore, there are no uncertainties in recognition and measurement in the consolidated financial statement.

Management's review

Risks and uncertainties

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.

Significant events occurring after the end of the financial year

No event has occurred who could significantly affect the group's financial position.

Income statement 1 January - 31 December

	Note	Group		Parent company	
		2022	2021	2022	2021
		DKK	DKK	DKK	DKK
Gross profit		136.949.047	143.020.891	-248.567	-264.353
Staff costs	1	-11.923.163	-10.875.949	0	0
Profit/loss before amortisation/depreciation and impairment losses		125.025.884	132.144.942	-248.567	-264.353
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-52.315.955	-53.683.241	0	0
Profit/loss before net financials		72.709.929	78.461.701	-248.567	-264.353
Income from investments in subsidiaries		0	0	27.341.795	26.936.653
Income from investments in associates		46.557	0	0	0
Financial income		2.107.583	4.687.205	20.924	4.574.440
Financial costs	2	-36.944.210	-40.146.379	-1.318.905	-11.424
Profit/loss before tax		37.919.859	43.002.527	25.795.247	31.235.316
Tax on profit/loss for the year	3	-9.086.632	-9.709.446	0	-935.198
Profit/loss for the year		28.833.227	33.293.081	25.795.247	30.300.118
Distribution of profit	4				

Balance sheet 31 December

Note	Group		Parent company	
	2022	2021	2022	2021
	DKK	DKK	DKK	DKK
Assets				
Software and license	72.680	370.103	0	0
Goodwill	469.612.865	530.995.342	0	0
Intangible assets	469.685.545	531.365.445	0	0
Other fixtures and fittings, tools and equipment	303.315	461.161	0	0
Tangible assets	303.315	461.161	0	0
Investments in subsidiaries	0	0	116.852.986	105.196.454
Participating interests	123.764	0	0	0
Other fixed asset investments	573.784	133.200	573.784	133.200
Deposits	50.486	52.685	0	0
Fixed asset investments	748.034	185.885	117.426.770	105.329.654
Total non-current assets	470.736.894	532.012.491	117.426.770	105.329.654
Trade receivables	13.521.789	15.631.268	0	0
Receivables from related parties	0	0	2.170.312	468.833
Other receivables	1.163.165	3.477.395	58.692	62.023
Deferred tax asset	7.461.161	9.078.402	0	0
Corporation tax	279.166	89.667	0	0
Prepayments	9.738.314	10.398.547	0	0
Receivables	32.163.595	38.675.279	2.229.004	530.856
Current asset investments	7.164.118	15.774.561	7.164.118	15.774.561
Securities	7.164.118	15.774.561	7.164.118	15.774.561
Cash at bank and in hand	5.678.389	27.284.724	5.297	543.495
Total current assets	45.006.102	81.734.564	9.398.419	16.848.912
Total assets	515.742.996	613.747.055	126.825.189	122.178.566

Balance sheet 31 December

Note	Group		Parent company	
	2022	2021	2022	2021
	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	115.627.423	103.970.892
Reserve for exchange rate adjustment	-5.708.414	-5.950.622	0	0
Retained earnings	128.889.826	125.219.725	7.553.989	15.377.428
Proposed dividend for the year	2.000.000	0	2.000.000	0
Non-controlling interests	12.983.665	11.688.495	0	0
Equity	138.245.077	131.037.598	125.261.412	119.428.320
Provision for deferred tax	33.613.613	26.746.496	0	0
Total provisions	33.613.613	26.746.496	0	0
Other credit institutions	245.748.606	351.155.335	0	0
Other payables	125.525	159.675	0	0
Total non-current liabilities	245.874.131	351.315.010	0	0
Short-term part of long-term debt	87.337.832	88.408.371	0	0
Banks	10.550	0	10.550	0
Trade payables	5.282.775	12.078.782	0	0
Payables to related parties	0	0	1.243.312	1.259.980
Corporation tax	0	770.236	31.211	770.236
Other payables	2.066.696	2.698.953	278.704	720.030
Deferred income	3.312.322	691.609	0	0
Total current liabilities	98.010.175	104.647.951	1.563.777	2.750.246
Total liabilities	343.884.306	455.962.961	1.563.777	2.750.246
Total equity and liabilities	515.742.996	613.747.055	126.825.189	122.178.566
Contingent liabilities	12			
Mortgages and collateral	13			
Related parties and ownership structure	14			

Statement of changes in equity

Group

	Share capital	Reserve for exchange rate adjustment	Retained earnings	Proposed dividend for the year	Proposed extraordinary dividend	Non-controlling interests	Total
	DKK	DKK	DKK	DKK	DKK	DKK	DKK
Equity at 1 January	80.000	-5.950.622	125.219.725	0	0	11.688.495	131.037.598
Exchange adjustments	0	242.208	-1.742.807	0	0	-1.742.807	-3.243.406
Ordinary dividend paid	0	0	0	0	-18.382.342	0	-18.382.342
Net profit/loss for the year	0	0	5.412.908	2.000.000	18.382.342	3.037.977	28.833.227
Equity at 31 December	80.000	-5.708.414	128.889.826	2.000.000	0	12.983.665	138.245.077

Parent company

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Proposed dividend for the year	Proposed extraordinary dividend	Total
	DKK	DKK	DKK	DKK	DKK	DKK
Equity at 1 January	80.000	103.970.892	15.377.428	0	0	119.428.320
Ordinary dividend paid	0	0	0	0	-18.382.342	-18.382.342
Exchange adjustment, foreign	0	-1.579.813	0	0	0	-1.579.813
Net profit/loss for the year	0	13.236.344	-7.823.439	2.000.000	18.382.342	25.795.247
Equity at 31 December	80.000	115.627.423	7.553.989	2.000.000	0	125.261.412

Cash flow statement 1 January - 31 December

Note	Group	
	2022	2021
	DKK	DKK
Net profit/loss for the year	28.833.227	33.293.081
Adjustments	103.434.705	109.037.512
Change in working capital	244.438	3.610.706
Cash flows from operating activities before financial income and expenses	132.512.370	145.941.299
Financial income	2.087.064	4.687.205
Financial expenses	-36.923.691	-40.146.379
Cash flows from ordinary activities	97.675.743	110.482.125
Corporation tax paid	-770.236	-4.275.811
Cash flows from operating activities	96.905.507	106.206.314
Purchase of property, plant and equipment	-141.605	-233.366
Business acquisition	-697.548	0
Current asset sale/investments	8.743.643	-673.296
Cash flows from investing activities	7.904.490	-906.662
Repayments of loans from credit institutions	-106.047.493	-88.338.266
Repayment of other long-term debt	-419.225	0
Dividend paid	-19.949.614	-3.880.000
Cash flows from financing activities	-126.416.332	-92.218.266
Change in cash and cash equivalents	-21.606.335	13.081.386
Cash and cash equivalents	27.284.724	14.203.338
Cash and cash equivalents	5.678.389	27.284.724
Analysis of cash and cash equivalents:		
Cash at bank and in hand	5.678.389	27.284.724
Cash and cash equivalents	5.678.389	27.284.724

Notes

	Group		Parent company	
	2022	2021	2022	2021
	DKK	DKK	DKK	DKK
1 Staff costs				
Wages and salaries	10.475.250	9.893.508	0	0
Pensions	626.255	511.153	0	0
Other social security costs	752.296	471.288	0	0
Other staff costs	69.362	0	0	0
	11.923.163	10.875.949	0	0
Executive Board	4.856.654	5.154.973	0	0
	4.856.654	5.154.973	0	0
Average number of employees	13	15	2	2
2 Financial costs				
Interest paid to related parties	0	0	145.115	0
Other financial costs	36.944.210	40.143.134	1.173.790	8.179
Exchange adjustments costs	0	3.245	0	3.245
	36.944.210	40.146.379	1.318.905	11.424

Notes

	Group		Parent company	
	2022	2021	2022	2021
	DKK	DKK	DKK	DKK
3 Tax on profit/loss for the year				
Current tax for the year	2.072.778	1.132.925	0	935.198
Deferred tax for the year	7.353.567	8.576.521	0	0
Adjustment of tax concerning previous years	-339.713	0	0	0
	9.086.632	9.709.446	0	935.198
4 Distribution of profit				
Proposed dividend for the year	2.000.000	0	2.000.000	0
Extraordinary dividend for the year	18.382.342	3.880.000	18.382.342	3.880.000
Reserve for net revaluation under the equity method	0	0	13.236.344	26.936.653
Non-controlling interests	3.037.977	2.992.961	0	0
Retained earnings	5.412.908	26.420.120	-7.823.439	-516.535
	28.833.227	33.293.081	25.795.247	30.300.118

Notes

5 Intangible assets

Group	Software and	Goodwill
	license	
	DKK	DKK
Cost at 1 January	1.552.871	725.878.603
Exchange adjustment	-28.121	-13.165.518
Transfers for the year	0	-208.522
Cost at 31 December	<u>1.524.750</u>	<u>712.504.563</u>
Impairment losses and amortisation at 1 January	1.182.768	194.883.261
Exchange adjustment	-21.234	-3.516.294
Depreciation for the year	290.536	51.733.253
	0	-208.522
Impairment losses and amortisation at 31 December	<u>1.452.070</u>	<u>242.891.698</u>
Carrying amount at 31 December	<u>72.680</u>	<u>469.612.865</u>

6 Tangible assets

Group	Other fixtures and
	fittings, tools and
	equipment
	DKK
Cost at 1 January	1.522.566
Exchange adjustment	-37.037
Additions for the year	141.605
Cost at 31 December	<u>1.627.134</u>
Impairment losses and depreciation at 1 January	1.061.409
Exchange adjustment	-29.755
Depreciation for the year	292.165
Impairment losses and depreciation at 31 December	<u>1.323.819</u>
Carrying amount at 31 December	<u>303.315</u>

Notes

	Parent company	
	2022	2021
	DKK	DKK
7 Investments in subsidiaries		
Cost at 1 January	1.225.562	1.225.562
Cost at 31 December	1.225.562	1.225.562
Revaluations at 1 January	103.970.892	78.802.516
Exchange rate adjustment	-1.579.813	-1.768.277
Profit of the year	27.341.795	26.936.653
Received dividend	-14.105.450	0
Revaluations at 31 December	115.627.424	103.970.892
Carrying amount at 31 December	116.852.986	105.196.454

Group

Investments in subsidiaries are specified as follows:

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

8 Prepayments

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

9 Fair value disclosure**Securities**

Fair value adjustments recognised in the income statement	758.450	3.912.480	758.450	3.912.480
Fair value of an asset or a liability that is measured at fair value, closing	7.164.118	15.774.561	7.164.118	15.774.561

Notes

10 Long term debt

Group	Debt	Debt	Instalment	Debt
	at 1 January	at 31 December	next year	outstanding after 5 years
	DKK	DKK	DKK	DKK
Other credit institutions	351.155.335	245.748.606	87.337.832	0
Other payables	159.675	125.525	0	0
	351.315.010	245.874.131	87.337.832	0

11 Deferred income

Prepayments are prepaid income received in subsequent years, etc.

12 Contingent liabilities

The company has provided a letter of support to Indigo Agencies Holdng Ltd and Indigo Underwriters Limite to assist in meeting their liabilities.

The Group has entered into operating leasing and leasing agreements where the total obligations is T.DKK 388.

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.

13 Mortgages and collateral

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

14 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

14 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 2022 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 are identical for both the parent company financial statements and the consolidated financial statements.

The accounting policies applied are consistent with those of last year.

The annual report for 2022 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 participating interests or associates, cf. the group chart.

The consolidated financial statements are prepared as a consolidation of the parent company's and subsidiaries' financial statements by aggregating uniform accounting items. 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.

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

Accounting policies

Entities acquired or formed during the year are recognised in the consolidated financial statements from the date at which control is obtained. Entities sold during the year 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 for resale and finished 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

The item Other operating income includes items of a secondary nature relative to the company's activities, including gains on the sale of intangible assets and items of property, plant and equipment, operating losses, indemnities relating to operating losses and conflicts as well as payroll refunds. Indemnities are recognised when it is more probable than not that the company is going to be indemnified.

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 items of 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.

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 that relate to the financial year. Net financials include interest income and expenses, financial expenses relating to finance leases, realised and unrealised capital/exchange gains and losses on securities, liabilities and foreign currency transactions, amortisation of financial assets and liabilities and surcharges and allowances under the Danish Tax Prepayment Scheme, etc.

Accounting policies

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, participating interests 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 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.

Development projects, patents and licences

Patents and licences are measured at cost less accumulated amortisation and impairment losses. Patents are amortised on a straight-line basis over the remaining patent period, and licences are amortised over the term of the licence, however not more than 8 years.

Accounting policies

Gains and losses on the disposal of development projects, patents and licences 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
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Gains and losses on the sale of items of property, plant and equipment are calculated as the difference between the selling price, less costs to sell, and the carrying amount at the time of sale. Gains or losses on the sale of items of property, plant and equipment are recognised in the income statement under other operating income or other operating expenses, respectively.

Investments in subsidiaries, associates and participating interests

Investments in subsidiaries, associates and participating interests 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. Negative goodwill is recognised in the income statement on acquisition. Where the negative goodwill relates to contingent liabilities having been taken over, the negative goodwill is not recognised until the contingent liabilities have been settled or no longer exist.

Investments in subsidiaries, associates and participating interests 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, associates and participating interests 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.

Acquirees are accounted for using the purchase method, see the above description of consolidated financial statements and calculation 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.

Securities

Securities consist of listed shares and bonds, are measured at fair value at the balance sheet date. Non-listed securities are measured at fair value on the basis of the estimated value in use.

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 at net realisable value.

Deferred tax assets, including the tax base of tax losses allowed for carry forward, are measured at the value to which the asset is expected to be realised, either as a set-off against tax on future income or as a set-off against deferred tax liabilities within the same legal tax entity. Any deferred net tax assets are measured at net realisable value.

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 net 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.

Accounting policies

Deferred income

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

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 instruments are considered cash flow hedges, any unrealised value adjustments are taken directly to a fair value reserve under '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. Dividend income from investments is recognised under 'Interest income and dividend received'.

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.

Accounting policies

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.

Financial Highlights

Definitions of financial ratios.

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