Kaffekapslen ApS

Alstrup Allé 11, DK-8361 Hasselager

Annual Report for 2023

CVR No. 33 75 39 18

The Annual Report was presented and adopted at the Annual General Meeting of the company on 30/4 2024

Thomas Ramsay
Chairman of the general meeting

Contents

Management's statement

The Executive Board has today considered and adopted the Annual Report of Kaffekapslen ApS for the financial year 1 January - 31 December 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 31 December 2023 of the Company and of the results of the Company operations for 2023.

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

We recommend that the Annual Report be adopted at the Annual General Meeting.

Hasselager, 11 April 2024

Executive Board

Anders Balmer CEO	Jonas Balmer

Independent Auditor's report

To the shareholder of Kaffekapslen ApS

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2023 and of the results of the Company´s operations for the financial year 1 January - 31 December 2023 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Kaffekapslen ApS for the financial year 1 January - 31 December 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.

Aarhus C, 11 April 2024

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Mads Meldgaard
State Authorised Public Accountant
mne24826

Mads Johansson
State Authorised Public Accountant
mne40760

Company information

The Company	Kaffekapslen ApS Alstrup Allé 11 DK-8361 Hasselager CVR No: 33 75 39 18 Financial period: 1 January - 31 December Incorporated: 1 June 2011 Financial year: 13th financial year Municipality of reg. office: Aarhus
Executive Board	Anders Balmer Jonas Balmer
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Jens Chr. Skous Vej 1 DK-8000 Aarhus C

Financial Highlights

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

	2023	2022	2021	2020	2019
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Revenue	662,434	605,419	467,774	253,843	101,042
Gross profit	69,744	57,087	42,103	33,181	13,823
Profit/loss of primary operations	26,888	22,002	18,521	19,251	7,253
Profit/loss of financial income and expenses	-342	-1,999	-482	-1,044	-356
Net profit/loss for the year	21,034	15,604	14,159	13,912	5,305
Balance sheet					
Balance sheet total	136,864	118,718	90,131	55,545	27,111
Investment in property, plant and equipment	2,065	5,436	3,200	1,362	0
Equity	27,770	36,736	21,132	21,973	13,062
Number of employees	115	105	77	42	24
Ratios					
Profit margin	4.1%	3.6%	4.0%	7.6%	7.2%
Solvency ratio	20.3%	30.9%	23.4%	39.6%	48.2%
Return on equity	65.2%	53.9%	65.7%	79.4%	46.5%

Management's review

Key activities

The Company's principal activity is to sell coffee capsules and related products on the Internet.

Development in the year

The Company's income statement for 2023 shows a profit of DKK 21 million compared to DKK 15.6 million in 2022. Equity in the Company's balance sheet at 31 December 2023 stood at DKK 27.8 million compared to DKK 36.7 million at 31 December 2022.

In 2023, EBITDA was realized at 30.5 million compared to 24 million in 2022 and was in line with Managements expectations.

Outlook

For 2024 Management expects to achieve a revenue ranging between DKK 800-900 million and an EBITDA ranging between DKK 25-35 million.

Environmental matters

Management focuses on decreasing the environmental affect from outbound freight, primarily through reducing the number of trucks needed for fulfilling end consumer orders. Several projects with this goal have been completed in 2023 and even more are planned for 2024. The Company also collaborates with its freight providers to continue to improve environmental matters.

The Company does not have its own production assets and does therefore not otherwise affect the external environment to an extent exceeding that of office enterprises in most liberal professions.

Research and development activities

The Company invests significantly in developing its own IT platforms and software to support internal and external processes. Each development project is initiated with a research-phase, where the goal is to find new and innovative solutions to an identified problem.

The ambition of all research and development activities is to support the Company’s growth, profitability and environmental impact.

Subsequent events

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

Income statement 1 January - 31 December

	Note	2023	2022
		TDKK	TDKK
Gross profit		**69,744**	**57,087**
Staff expenses	1	-39,261	-33,033
Depreciation and impairment losses of property, plant and equipment		-3,595	-2,022
Other operating expenses		0	-30
Profit/loss before financial income and expenses		**26,888**	**22,002**
Income from investments in subsidiaries		1,218	127
Financial income	2	532	82
Financial expenses	3	-2,092	-2,208
Profit/loss before tax		**26,546**	**20,003**
Tax on profit/loss for the year	4	-5,512	-4,399
Net profit/loss for the year	5	**21,034**	**15,604**

Balance sheet 31 December

Assets

	Note	2023	2022
		TDKK	TDKK
Completed development projects		7,428	4,395
Development projects in progress		420	492
Intangible assets	6	**7,848**	**4,887**
Other fixtures and fittings, tools and equipment		4,887	6,075
Leasehold improvements		2,738	1,695
Property, plant and equipment	7	**7,625**	**7,770**
Investments in subsidiaries	8	1,413	195
Deposits	9	3,113	2,101
Fixed asset investments		**4,526**	**2,296**
Fixed assets		**19,999**	**14,953**
Finished goods and goods for resale		90,586	65,330
Inventories		**90,586**	**65,330**
Receivables from group enterprises		3,454	13,292
Other receivables		10,004	10,762
Prepayments	10	496	1,913
Receivables		**13,954**	**25,967**
Cash at bank and in hand		**12,325**	**12,468**
Current assets		**116,865**	**103,765**
Assets		**136,864**	**118,718**

Balance sheet 31 December

Liabilities and equity

	Note	2023	2022
		TDKK	TDKK
Share capital	11	200	200
Reserve for net revaluation under the equity method		1,240	27
Reserve for development costs		6,121	3,812
Retained earnings		20,209	32,697
Equity		**27,770**	**36,736**
Provision for deferred tax	12	2,080	1,395
Other provisions	13	1,655	714
Provisions		**3,735**	**2,109**
Credit institutions		0	5,596
Prepayments received from customers		0	453
Trade payables		61,640	52,406
Payables to group enterprises		22,556	1,403
Corporation tax		4,820	3,533
Other payables		16,343	16,482
Short-term debt		**105,359**	**79,873**
Debt		**105,359**	**79,873**
Liabilities and equity		**136,864**	**118,718**
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Statement of changes in equity

	Share capital	Reserve for net revaluation under the equity method	Reserve for development costs	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	200	27	3,812	32,697	36,736
Extraordinary dividend paid	0	0	0	-30,000	-30,000
Development costs for the year	0	0	3,390	-3,390	0
Depreciation, amortisation and impairment for the year	0	0	-1,081	1,081	0
Net profit/loss for the year	0	1,213	0	19,821	21,034
Equity at 31 December	**200**	**1,240**	**6,121**	**20,209**	**27,770**

Notes to the Financial Statements

	2023	2022
	TDKK	TDKK
1. Staff Expenses		
Wages and salaries	38,342	32,061
Other social security expenses	919	972
	39,261	**33,033**
Including remuneration to the Executive Board	**1,771**	**1,453**
Average number of employees	**115**	**105**

	2023	2022
	TDKK	TDKK
2. Financial income		
Interest received from group enterprises	380	82
Other financial income	152	0
	532	**82**

	2023	2022
	TDKK	TDKK
3. Financial expenses		
Interest paid to group enterprises	755	89
Other financial expenses	545	1,897
Exchange adjustments, expenses	792	222
	2,092	**2,208**

	2023	2022
	TDKK	TDKK
4. Income tax expense		
Current tax for the year	4,820	3,533
Deferred tax for the year	685	851
Adjustment of tax concerning previous years	7	94
Adjustment of deferred tax concerning previous years	0	-79
	5,512	**4,399**

Notes to the Financial Statements

5. Profit allocation

	2023	2022
	TDKK	TDKK
Extraordinary dividend paid	30,000	10,000
Reserve for net revaluation under the equity method	1,213	27
Retained earnings	-10,179	5,577
	21,034	**15,604**
Extraordinary dividend after year end	0	10,000

6. Intangible fixed assets

	Completed development projects	Develop-ment projects in progress
	TDKK	TDKK
Cost at 1. January	4,985	492
Additions for the year	0	4,346
Transfers for the year	4,418	-4,418
Cost at 31. December	9,403	420
Impairment losses and depreciation at 1. January	590	0
Depreciation for the year	1,385	0
Impairment losses and depreciation at 31. December	1,975	0
Carrying amount at 31. December	**7,428**	**420**
Amortised over	3-5 years	

Development projects relate to the development of the company's digital platforms. Some development projects have been fully implemented in the business during the fiscal year. Development projects in progress are completed on an ongoing basis.

Notes to the Financial Statements

7. Property, plant and equipment

	Other fixtures and fittings, tools and equipment	Leasehold improvements
	TDKK	TDKK
Cost at 1. January	7,753	2,316
Additions for the year	374	1,691
Cost at 31. December	8,127	4,007
Impairment losses and depreciation at 1. January	1,678	621
Depreciation for the year	1,562	648
Impairment losses and depreciation at 31. December	3,240	1,269
Carrying amount at 31. December	**4,887**	**2,738**

8. Investments in subsidiaries

	2023	2022
	TDKK	TDKK
Cost at 1 January	173	173
Cost at 31 December	173	173
Value adjustments at 1 January	22	-105
Net profit/loss for the year	1,218	127
Value adjustments at 31 December	1,240	22
Carrying amount at 31 December	**1,413**	**195**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Ownership
Design Nordic ApS	Hasselager	100%
Kaffekapslen GmbH	Germany	100%

Notes to the Financial Statements

9. Other fixed asset investments

	Deposits
	TDKK
Cost at 1. January	2,101
Additions for the year	3,500
Disposals for the year	-2,488
Cost at 31. December	3,113
Carrying amount at 31. December	**3,113**

10. Prepayments

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

11. Share capital

The Company holds a total of 200,000 shares with a nominal value of DKK 1 each.

All shares rank equally.

12. Provision for deferred tax

	2023	2022
	TDKK	TDKK
Deferred tax liabilities at 1 January	1,395	623
Amount recognised in the income statement concerning previous years	0	-79
Amounts recognised in the income statement for the year	685	851
Deferred tax liabilities at 31 December	**2,080**	**1,395**

Notes to the Financial Statements

13. Other provisions

	2023	2022
	TDKK	TDKK
Other provisions	1,655	714
	1,655	**714**
The provisions are expected to mature as follows:		
Within 1 year	546	492
Between 1 and 5 years	1,109	222
After 5 years	0	0
	1,655	**714**

14. Contingent assets, liabilities and other financial obligations

Rental and lease obligations

	2023	2022
	TDKK	TDKK
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	6,968	5,587
Between 1 and 5 years	19,454	5,659
	26,422	**11,246**

Guarantee obligations

The Company has provided a lease guarantee totalling TDKK 2,151 to a third party.

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 CC Topco 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.

Notes to the Financial Statements

15. Related parties and disclosure of consolidated financial statements

	Basis
Controlling interest	
The Company's ultimate Parent Company exercise control.	CC Topco ApS, Alstrup Allé 11, 8361 Hasselager
The Company's Parent Company exercise control.	CC Midco ApS, Alstrup Allé 11, 8361 Hasselager

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.

The interest received from group enterprises tDKK 152, has not been made on an arm's length basis. The interest is based on an interest rate of 11.90%.

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
CC Topco ApS	Alstrup Allé 11, 8361 Hasselager

16. Subsequent events

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

Notes to the Financial Statements

17. Accounting policies

The Annual Report of Kaffekapslen ApS for 2023 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 2023 are presented in TDKK.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements for 2023 of CC Topco ApS, the Company has not prepared consolidated financial statements.

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 CC Topco ApS, the Company has not prepared a cash flow statement.

Recognition and measurement

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.

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. Exchange differences 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. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

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.

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.

Notes to the Financial Statements

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

Revenue

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.

Cost of goods sold

Cost of goods sold comprise the purchase price etc. for goods sold in the year.

Other external expenses

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

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, other operating income, cost of goods sold 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 depreciation and impairment of 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 property, plant and equipment.

Income from investments in subsidiaries

The item “Income from investments in subsidiaries” in the income statement includes the proportionate share of the profit for the year.

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.

Notes to the Financial Statements

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 all Danish entities in the CC Topco group. 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 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	3-5 years

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

Notes to the Financial Statements

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.

Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method.

The item “Investments in subsidiaries” in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to “Reserve for net revaluation under the equity method“ under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Other fixed asset investments

Other fixed asset investments consist of deposits.

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.

Notes to the Financial Statements

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.

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 liabilities

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.

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

Financial Highlights

Explanation of financial ratios

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