

# **Viessmann Refrigeration Systems ApS**

Farum Gydevej 77, 3520 Farum

CVR no. 34 71 93 81

## **Annual report for 2022**

Årsrapporten er godkendt på den  
ordinære generalforsamling, d. 21.04.23

Frank Winters  
Dirigent

---

Company information etc.	3
Statement by the Executive Board and Board of Directors on the annual report	4
Independent auditor's report	5 - 7
Management's review	8 - 11
Income statement	12
Balance sheet	13 - 14
Statement of changes in equity	15
Cash flow statement	16
Notes	17 - 32

---

---

**The company**

---

Viessmann Refrigeration Systems ApS  
Farum Gydevej 77  
3520 Farum  
Danmark  
Registered office: Farum  
CVR no.: 34 71 93 81  
Financial year: 01.01 - 31.12

---

**Executive Board**

---

Scott Lee Brewer

---

**Board of Directors**

---

Frank Winters  
Udo Laeis  
Micheal Luz  
Marcel Sieber

---

**Auditors**

---

PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab

## **Statement by the Executive Board and Board of Directors on the annual report**

---

We have on this day presented the annual report for the financial year 01.01.22 - 31.12.22 for Viessmann Refrigeration Systems ApS.

The annual report is presented in accordance with the Danish Financial Statements Act (Årsregnskabsloven).

In our opinion, the financial statements give a true and fair view of the company's assets, liabilities and financial position as at 31.12.22 and of the results of the company's activities and cash flows for the financial year 01.01.22 - 31.12.22.

We believe that the management's review includes a fair review of the matters dealt with in the management's review.

The annual report is submitted for adoption by the general meeting.

Farum, April 21, 2023

### **Executive Board**

Scott Lee Brewer

### **Board of Directors**

Frank Winters  
Chairman

Udo Laeis

Micheal Luz

Marcel Sieber

**To the capital owner of Viessmann Refrigeration Systems ApS**

**Opinion**

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2022, and of the results of the Company's operations for the financial year 1 January - 31 December 2022 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Viessmann Refrigeration Systems ApS for the financial year 1 January - 31 December 2022, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies ("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 regarding the 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 Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Acts. We did not identify any material misstatement of Management's review.

**Management's responsibility for the Financial Statements**

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

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

**Auditor's responsibilities for the audit of the Financial Statements**

Our objectives are to obtain reasonable assurance 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 judgment and maintain professional skepticism 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.

Hellerup, April 21, 2023

**PricewaterhouseCoopers**  
**Statsautoriseret**  
**Revisionspartnerselskab**

CVR no. 33771231

Leif Ulbæk Jensen  
State Authorized Public Accountant  
mne23327

James Liang  
State Authorized Public Accountant  
mne34549

**FINANCIAL HIGHLIGHTS****Key figures**

Figures in DKK '000	2022	2021	2020	2019	2018
<i>Profit/loss</i>					
Gross profit	36,363	22,807	1,104	-1,991	-7
Operating loss	-14,217	-18,987	-9,045	-6,955	-1,870
Total net financials	-5,399	-1,713	-648	-298,628	-110
Loss for the year	-17,037	-20,700	-9,693	-6,956	-1,869
<i>Balance</i>					
Total assets	69,465	68,640	51,821	11,085	10,446
Investments in property, plant and equipment	19	101	1,598	312	0
Equity	-55,854	-38,817	-18,117	-8,424	-1,468



**Ratios**

	2022	2021	2020	2019	2018
<i>Equity ratio</i>					
Solvency ratio	-80%	-57%	-35%	-76%	-14%

*Others*

Number of employees (average)	62	58	13	5	2
-------------------------------	----	----	----	---	---

*Ratios definitions*

Solvency ratio:	$\frac{\text{Equity, end of year} \times 100}{\text{Total assets}}$
-----------------	---

**Primary activities**

The company's main activities consist in providing cooling systems for retailers of food on the Danish market and other related activities.

**Development in activities and financial affairs**

The income statement for the period 01.01.22 - 31.12.22 shows a loss before tax of DKK -19,617k and after tax of DKK -17,037k against DKK -20,700k (result before and after tax) for the period 01.01.21 - 31.12.21. The balance sheet shows equity of DKK -55,854k. We expected a profit before tax in the region of between DKK -5,000k to 0 in 2022.

In 2022 Viessmann Refrigeration Systems ApS maintained its position as one of the leading actors in the Danish market for commercial refrigeration. The main customers of the company are from food retail and convenience business. Revenue 2022 was slightly higher than previous year including growing convenience business and after sales services. 2022 was characterized by challenges in material costs in follow up to Ukrainian conflict, Covid-19 and inflation impacts. Further the company was faced with higher personnel and administration expenses. The result before tax improved slightly versus prior year, however below expectations.

*Information on going concern*

The company is expecting the share capital to be restored by future earnings. The company has received a letter of support from a group company ensuring the necessary liquidity.

**Outlook**

The company expects significant improvement in performance versus actual 2022, targeting a profit before tax between DKK -9,000k to -6,000k for the coming year.

**Financial risks***Foreign currency risks*

We operate primarily in DKK and to a lesser extent in EUR, and evaluate our currency risk as minimal.

**External environment**

As part of the strategy for the group's overall environmental activities, an environmental policy has been prepared setting out several environmental objectives. Focusing on environmentally sound operations, this policy forms a natural part of the company's objectives concerning product quality and production conditions.

**Research and development activities**

The company's development activities primarily comprise the earlier acquisition of a new ERP system classified as software.

**Subsequent events**

No important events have occurred after the end of the financial year.

## Income statement

Note		2022 DKK	2021 DKK '000
2	<b>Gross profit</b>	<b>36,363,360</b>	<b>22,807</b>
3	Staff costs	-45,560,867	-39,692
	<b>Loss before depreciation, amortisation, write-downs and impairment losses</b>	<b>-9,197,507</b>	<b>-16,885</b>
2	Depreciation, amortisation and impairments losses of intangible assets and property, plant and equipment	-5,019,747	-2,102
	<b>Operating loss</b>	<b>-14,217,254</b>	<b>-18,987</b>
2	Impairment losses on financial assets	-2,422,000	0
4	Financial expenses	-2,977,263	-1,713
	<b>Loss before tax</b>	<b>-19,616,517</b>	<b>-20,700</b>
	Tax on loss for the year	2,579,940	0
	<b>Loss for the year</b>	<b>-17,036,577</b>	<b>-20,700</b>

5 Proposed appropriation account

## Balance sheet

<b>ASSETS</b>		31.12.22	31.12.21
Note		DKK	DKK '000
	Software	4,282,163	5,228
	Goodwill	0	3,655
<b>6</b>	<b>Total intangible assets</b>	<b>4,282,163</b>	<b>8,883</b>
	Other fixtures and fittings, tools and equipment	558,508	958
<b>7</b>	<b>Total property, plant and equipment</b>	<b>558,508</b>	<b>958</b>
<b>8</b>	<b>Deposits</b>	<b>430,657</b>	<b>267</b>
<b>8</b>	<b>Other receivables</b>	<b>0</b>	<b>1,670</b>
	<b>Total investments</b>	<b>430,657</b>	<b>1,937</b>
	<b>Total non-current assets</b>	<b>5,271,328</b>	<b>11,778</b>
	Manufactured goods and goods for resale	13,200,575	9,546
	<b>Total inventories</b>	<b>13,200,575</b>	<b>9,546</b>
<b>9</b>	<b>Work in progress for third parties</b>	<b>8,687,738</b>	<b>8,073</b>
	Trade receivables	26,747,099	35,407
	Receivables from group enterprises	325,578	964
	Income tax receivable	2,579,940	0
	Other receivables	16,885	0
<b>10</b>	<b>Prepayments</b>	<b>1,057,816</b>	<b>890</b>
	<b>Total receivables</b>	<b>39,415,056</b>	<b>45,334</b>
	<b>Cash</b>	<b>11,577,771</b>	<b>1,982</b>
	<b>Total current assets</b>	<b>64,193,402</b>	<b>56,862</b>
	<b>Total assets</b>	<b>69,464,730</b>	<b>68,640</b>

		31.12.22	31.12.21
		DKK	DKK '000
<b>EQUITY AND LIABILITIES</b>			
Note			
	Share capital	80,000	80
	Retained earnings	-55,933,580	-38,897
	<b>Total equity</b>	<b>-55,853,580</b>	<b>-38,817</b>
11	Other provisions	4,273,411	8,928
	<b>Total provisions</b>	<b>4,273,411</b>	<b>8,928</b>
12	Subordinate loan capital	66,928,500	29,746
12	Payables to group enterprises	33,504,201	26,771
12	Other payables	1,163,291	1,163
	<b>Total long-term payables</b>	<b>101,595,992</b>	<b>57,680</b>
9	Prepayments received from work in progress for third parties	0	3,202
	Trade payables	4,960,271	8,489
	Payables to group enterprises	8,369,721	10,372
	Other payables	6,118,915	18,786
	<b>Total short-term payables</b>	<b>19,448,907</b>	<b>40,849</b>
	<b>Total payables</b>	<b>121,044,899</b>	<b>98,529</b>
	<b>Total equity and liabilities</b>	<b>69,464,730</b>	<b>68,640</b>

1 Information as regards going concern

13 Contingent assets

14 Contingent liabilities

15 Charges and security

16 Related parties

## Statement of changes in equity

Figures in DKK	Share capital	Retained earnings	Total equity
Statement of changes in equity for 01.01.21 - 31.12.21			
Balance as at 01.01.21	80,000	-18,197,277	-18,117,277
Net profit/loss for the year	0	-20,699,726	-20,699,726
Balance as at 31.12.21	80,000	-38,897,003	-38,817,003
Statement of changes in equity for 01.01.22 - 31.12.22			
Balance as at 01.01.22	80,000	-38,897,003	-38,817,003
Net profit/loss for the year	0	-17,036,577	-17,036,577
Balance as at 31.12.22	80,000	-55,933,580	-55,853,580

## Cash flow statement

Note	2022 DKK	2021 DKK '000
<b>Loss for the year</b>	<b>-17,036,577</b>	<b>-20,700</b>
17 Adjustments	1,539,068	3,807
Change in working capital:		
Inventories	-3,654,503	-2,578
Receivables	8,334,777	-23,871
Trade payables	-3,698,316	2,391
Other payables relating to operating activities	-17,871,484	7,798
Other provisions	1,645,267	621
<b>Cash flows from operating activities before net financials</b>	<b>-30,741,768</b>	<b>-32,532</b>
Interest expenses and similar expenses paid	-419,857	-1,704
<b>Cash flows from operating activities</b>	<b>-31,161,625</b>	<b>-34,236</b>
Purchase of intangible assets	0	-295
Purchase of property, plant and equipment	-19,034	-101
Sale of property, plant and equipment	0	24
Loans	-752,000	0
<b>Cash flows from investing activities</b>	<b>-771,034</b>	<b>-372</b>
Arrangement of payables to group enterprises	41,528,582	26,700
<b>Cash flows from financing activities</b>	<b>41,528,582</b>	<b>26,700</b>
<b>Total cash flows for the year</b>	<b>9,595,923</b>	<b>-7,908</b>
Cash, beginning of year	1,981,848	9,890
<b>Cash, end of year</b>	<b>11,577,771</b>	<b>1,982</b>
Cash, end of year, comprises:		
Cash	11,577,771	1,982
<b>Total</b>	<b>11,577,771</b>	<b>1,982</b>



## 1. Information as regards going concern

The company is expecting the share capital to be restored by future earnings. The company has received a letter of support from a group company ensuring the necessary liquidity.

## 2. Special items

Special items are income and expenses that are special due to their size and nature. The following special items were recorded in the financial year:

Special items:	Recognised in the income statement in:	2022 DKK	2021 DKK '000
Reversal of other provisions	Gross profit	6,300,000	0
	Depreciation and amortisation of and impairment losses on intangible assets and property, plant and equipment		
Impairment losses on intangible assets		-2,741,049	0
Impairment losses on other receivables	Impairment losses on financial assets	-2,422,000	0
Total		1,136,951	0

Special items relates to reevaluation of financial assets as well as a related provisions.

	2022	2021
	DKK	DKK '000

### 3. Staff costs

Wages and salaries	41,270,379	35,803
Pensions	2,966,890	2,795
Other social security costs	146,185	138
Other staff costs	1,177,413	956
<b>Total</b>	<b>45,560,867</b>	<b>39,692</b>

Average number of employees during the year	62	58
---	----	----

Remuneration for the management:

Remuneration for the Executive Board and Board of Directors	2,466,258	2,530
---	-----------	-------

### 4. Financial expenses

Interest, group enterprises	2,387,477	1,314
Other financial expenses total	589,786	399
<b>Total</b>	<b>2,977,263</b>	<b>1,713</b>

### 5. Proposed appropriation account

Retained earnings	-17,036,577	-20,700
<b>Total</b>	<b>-17,036,577</b>	<b>-20,700</b>

**6. Intangible assets**

Figures in DKK	Software	Goodwill
Cost as at 01.01.22	6,015,709	4,568,415
Cost as at 31.12.22	6,015,709	4,568,415
Amortisation and impairment losses as at 01.01.22	-787,470	-913,683
Impairment losses during the year	0	-2,741,049
Amortisation during the year	-946,076	-913,683
Amortisation and impairment losses as at 31.12.22	-1,733,546	-4,568,415
Carrying amount as at 31.12.22	4,282,163	0

The recognised development costs comprise an ERP system classified as software. Development of the system secures additional efficiency improvements to internal processes and hereby contribute to the company's growth. The ERP system is completed and in use.

**7. Property, plant and equipment**

Figures in DKK	Other fixtures and fittings, tools and equipment
Cost as at 01.01.22	1,477,134
Additions during the year	19,034
Cost as at 31.12.22	1,496,168
Depreciation and impairment losses as at 01.01.22	-518,721
Depreciation during the year	-418,939
Depreciation and impairment losses as at 31.12.22	-937,660
Carrying amount as at 31.12.22	558,508

**8. Non-current financial assets**

Figures in DKK	Deposits	Other receivables
Cost as at 01.01.22	266,671	1,670,000
Additions during the year	163,986	752,000
Cost as at 31.12.22	430,657	2,422,000
Impairment losses during the year	0	-2,422,000
Impairment losses as at 31.12.22	0	-2,422,000
Carrying amount as at 31.12.22	430,657	0

31.12.22	31.12.21
DKK	DKK '000

**9. Work in progress for third parties**

Work in progress for third parties	9,626,434	16,402
On-account invoicing	-938,696	-11,531
Total work in progress for third parties	8,687,738	4,871
Work in progress for third parties	8,687,738	8,073
Prepayments received from work in progress for third parties, short-term payables	0	-3,202
Total	8,687,738	4,871

**10. Prepayments**

Prepaid expenses	1,057,816	890
Total	1,057,816	890

**11. Other provisions**

Figures in DKK	Warranty commitments	Other provisions
Provisions as at 01.01.22	2,628,144	6,300,000
Provisions during the year	1,645,267	0
Reversed provision in respect of previous years	0	-6,300,000
Provisions as at 31.12.22	4,273,411	0
	31.12.22 DKK	31.12.21 DKK '000

Other provisions are expected to be distributed as follows:

Non-current liabilities	0	6,300
Current liabilities	4,273,411	2,628
Total	4,273,411	8,928

**12. Long-term payables**

	Outstanding debt after 5 years DKK	Total payables at 31.12.22 DKK	Total payables at 31.12.21 DKK '000
Subordinate loan capital	0	66,928,500	29,746
Payables to group enterprises	0	33,504,201	26,771
Other payables	1,163,291	1,163,291	1,163
Total	1,163,291	101,595,992	57,680

The full amount of the subordinate loan capital from the parent company ranks after the company's existing and future creditors. The loan falls due for payment on 31.12.2025. There are no other terms associated with the subordination.

Other payables comprise frozen holiday payments.

**13. Contingent assets**

The company has a deferred tax asset of DKK 9,520k, which has not been recognised in the balance sheet. The tax asset can primarily be attributed to tax losses carried forward which are not expected to be utilised within the next 3-5 years. The tax asset can be carried forward indefinitely.

**14. Contingent liabilities***Lease commitments*

The company has concluded lease agreements with total lease payments of DKK 5,883k.

*Other contingent liabilities*

The company is taxed jointly with the other Danish companies in the group and has joint, several and unlimited liability for income taxes and any obligations to withhold tax at source on interest, royalties and dividends for the jointly taxed companies. The liability also includes any subsequent corrections to the calculated tax liability as a consequence of changes made to the jointly taxable income etc.

**15. Charges and security**

The company has registered a negativ pledge concerning trade receivables.

**16. Related parties**

Controlling influence	Basis of influence
Viessmann Refrigeration Systems Oy, Porvoo, Finland	Majority of voting rights
Viessmann Refrigeration Solutions GmbH, Allendorf, Germany	Majority of voting rights
Viessmann Werke GmbH & Co KG, Allendorf, Germany	Majority of voting rights

Related party transactions are not disclosed, as all transactions are entered into in the ordinary course of business at arms' length.

Remuneration for the management is specified in note 3. Staff costs.

The company is included in the consolidated financial statements of the parent company Viessmann Werke GmbH & Co KG, Allendorf, Germany.

	2022 DKK	2021 DKK '000
<b>17. Adjustments for the cash flow statement</b>		
Other operating income	-6,300,000	-7
Depreciation, amortisation and impairments losses of intangible assets and property, plant and equipment	5,019,747	2,102
Impairment losses on financial assets	2,422,000	0
Financial expenses	2,977,261	1,712
Tax on profit or loss for the year	-2,579,940	0
Total	1,539,068	3,807

## 18. Accounting policies

### GENERAL

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act (*Årsregnskabsloven*) for medium-sized enterprises in reporting class C with application of provisions for a higher reporting class.

The accounting policies have been applied consistently with previous years.

By mistake payables to group enterprises were classified as subordinate loan capital in 2021. As such an amount of DKK 26,771k has been classified as long-term payables to group enterprises instead of subordinate loan capital in the comparative figures for 2021. The correction has no impact on the result, balance sheet or equity.

### Change in accounting estimates

The company has reassessed the need for impairment and write-down of goodwill and financial assets as well as other provisions related to these items. Please refer to note 2 for description of the impact on the result for 2022.

### 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 depreciation, amortisation, impairment losses and write-downs, 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 company, and the value of such assets can be measured reliably. Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company, and the value of such liabilities can be measured reliably. On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

On recognition and measurement, account is taken of foreseeable losses and risks arising before the date at which the annual report is presented and proving or disproving matters arising on or before the balance sheet date.

### CURRENCY

The annual report is presented in Danish kroner (DKK).

On initial recognition, transactions denominated in foreign currencies are translated using



**18. Accounting policies** - continued -

the exchange rates applicable at the transaction date. Exchange rate differences between the exchange rate applicable at the transaction date and the exchange rate at the date of payment are recognised in the income statement as a financial item. Receivables, payables and other monetary items denominated in foreign currencies are translated using the exchange rates applicable at the balance sheet date. The difference between the exchange rate applicable at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest annual report is recognised under financial income or expenses in the income statement. Fixed assets, inventories and other non-monetary assets acquired in foreign currencies are translated using historical exchange rates.

**LEASES**

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Company. The remaining lease obligation is capitalized and recognized in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

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

**INCOME STATEMENT****Gross profit**

Gross profit comprises revenue, other operating income and cost of sales and other external expenses.

**Revenue**

Income from the sale of goods is recognised in the income statement if delivery has taken place and the risk has passed to the buyer before the end of the financial year and where the selling price can be determined reliably and is expected to be paid. Revenue is measured at fair value and is determined exclusive of VAT and other taxes collected on behalf of third parties and less discounts.

**18. Accounting policies** - continued -

Income from the sale of services is recognised in the income statement in line with completion of services, which means that revenue corresponds to the selling price of the work performed for the year stated on the basis of the stage of completion at the balance sheet date.

**Other operating income**

Other operating income comprises income of a secondary nature in relation to the enterprise's activities, including rental income and gains on the sale of intangible assets and property, plant and equipment.

**Cost of sales**

Cost of sales comprises cost of sales for the year measured at cost plus any changes in inventories, including write-downs for obsolescence and net realisable value.

**Other external expenses**

Other external expenses comprise costs relating to distribution, sales and advertising and administration, premises and allowance for bad debts etc.

**Staff costs**

Staff costs comprise wages and salaries as well as other staff-related costs.

**Depreciation, amortisation and impairment losses**

The depreciation and amortisation of intangible assets and property, plant and equipment aim at systematic depreciation and amortisation over the expected useful lives of the assets. Assets are depreciated and amortised according to the straight-line method based on the following expected useful lives and residual values:

	Useful lives, years	Residual value DKK '000
Software	5	0
Goodwill	5	0
Other plant, fixtures and fittings, tools and equipment	3-5	0

**18. Accounting policies** - continued -

Goodwill is amortised over 5 years. The useful life has been determined in consideration of the expected future net earnings of the enterprise or activity to which the goodwill relates.

The basis of depreciation and amortisation is the cost of the asset less the expected residual value at the end of the useful life. Moreover, the basis of depreciation and amortisation is reduced by any impairment losses. The useful life and residual value are determined when the asset is ready for use and reassessed annually.

Intangible assets and property, plant and equipment are impaired in accordance with the accounting policies referred to in the 'Impairment losses on fixed assets' section.

**Impairment losses on financial assets**

Impairment losses on financial assets comprise impairment of investments at a lower recoverable amount and write-downs of financial current assets at a lower net realisable value.

**Other net financials**

Interest income and interest expenses, foreign exchange gains and losses on transactions denominated in foreign currencies etc. are recognised in other net financials.

**Tax on profit/loss for the year**

The current and deferred tax for the year is recognised in the income statement as tax on the profit/loss for the year with the portion attributable to the profit/loss for the year, and directly in equity with the portion attributable to amounts recognised directly in equity.

The company is jointly taxed with Danish related Group enterprises.

In connection with the settlement of joint taxation contributions, the current Danish income tax is allocated between the jointly taxed enterprises in proportion to their taxable incomes. This means that enterprises with a tax loss receive joint taxation contributions from enterprises which have been able to use this loss to reduce their own taxable profit.

**18. Accounting policies** - continued -**BALANCE SHEET****Intangible assets***Completed development projects*

Development projects comprise software.

Development projects are recognised in the balance sheet where the project aims at developing a specific product or a specific process, intended to be produced or used, respectively, by the company in its production process. On initial recognition, development projects are measured at cost. Cost comprises the purchase price plus expenses resulting directly from the purchase, including wages and salaries directly attributable to the development projects until the asset is ready for use. Interest on loans arranged to finance development projects in the development period is not included in the cost. Other development projects and development costs are recognised in the income statement in the year in which they are incurred.

Development projects are subsequently measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Completed development projects are amortised using the straight-line method based on useful lives, which are stated in the 'Depreciation, amortisation and impairment losses' section.

*Goodwill*

Goodwill is measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Goodwill is amortised using the straight-line method based on useful lives, which are stated in the 'Depreciation, amortisation and impairment losses' section.

*Gains or losses on the disposal of intangible assets*

Gains or losses on the disposal of intangible assets are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal.

**18. Accounting policies** - continued -**Property, plant and equipment**

Property, plant and equipment comprise other fixtures and fittings, tools and equipment.

Property, plant and equipment are measured in the balance sheet at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and expenses resulting directly from the purchase until the asset is ready for use. Interest on loans arranged to finance production is not included in the cost.

Property, plant and equipment are depreciated using the straight-line method based on useful lives and residual values, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal less any costs of disposal.

**Impairment losses on fixed assets**

The carrying amount of fixed assets which are not measured at fair value is assessed annually for indications of impairment over and above what is reflected in depreciation and amortisation.

If the company's realised return on an asset or a group of assets is lower than expected, this is considered an indication of impairment.

If there are indications of impairment, an impairment test is conducted of individual assets or groups of assets.

The assets or groups of assets are impaired to the lower of recoverable amount and carrying amount.

The higher of net selling price and value in use is used as the recoverable amount. The value in use is determined as the present value of expected net cash flows from the use of the asset or group of assets as well as expected net cash flows from the sale of the asset or group of assets after the expiry of their useful lives.

Impairment losses are reversed when the reasons for the impairment no longer exist. Impairment losses on goodwill are not reversed.

**18. Accounting policies** - continued -**Inventories**

Inventories are measured at cost calculated according to the FIFO-method. Inventories are written down to the lower of cost and net realisable value.

The cost of raw materials and consumables as well as goods for resale is determined as purchase prices plus expenses resulting directly from the purchase.

The net realisable value of inventories is determined as the selling price less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and the expected development in the selling price.

**Receivables**

Receivables are measured at amortised cost, which usually corresponds to the nominal value, less write-downs for bad debts.

Write-downs for bad debts are determined based on an individual assessment of each receivable if there is no objective evidence of individual impairment of a receivable.

Deposits recognised under assets comprise deposits paid to the lessor under leases entered into by the company.

**Work in progress for third parties**

Work in progress for third parties is determined as the value of direct material less prepayments associated with each piece of work in progress.

**Prepayments**

Prepayments recognised under assets comprise costs incurred in respect of subsequent financial years.

**Cash**

Cash includes deposits in bank account.

**18. Accounting policies** - continued -**Provisions**

Other provisions comprise expected expenses incidental to warranty commitments, loss on work in progress, restructuring etc. and are recognised when the company has a legal or constructive obligation at the balance sheet date and it is probable that such obligation will draw on the financial resources of the company. Provisions are measured at net realisable value or fair value if the provision is expected to be settled over the longer term.

Warranty commitments comprise the obligation to repair defective work within the warranty period. Warranty commitments are measured at net realisable value and recognised based on previous years' experience with warranty work.

**Current and deferred tax**

Current tax payable and receivable is recognised in the balance sheet as tax computed on the basis of the taxable income for the year, adjusted for tax paid on account.

Joint taxation contributions payable and receivable are recognised as income tax under receivables or payables in the balance sheet.

Deferred tax liabilities and tax assets are recognised on the basis of all temporary differences between the carrying amounts and tax bases of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is non-amortisable for tax purposes and other items where temporary differences, except for acquisitions, have arisen at the date of acquisition without affecting the net profit or loss for the year or the taxable income. In cases where the tax value can be determined according to different taxation rules, deferred tax is measured on the basis of management's intended use of the asset or settlement of the liability.

Deferred tax assets are recognised, following an assessment, at the expected realisable value through offsetting against deferred tax liabilities or elimination in tax on future earnings.

Deferred tax is measured on the basis of the tax rules and at the tax rates which, according to the legislation in force at the balance sheet date, will be applicable when the deferred tax is expected to crystallise as current tax.

**Payables**

With subordinate loan capital, the creditor has subordinated its claim to those of all other creditors of the company.

Long-term payables are measured at cost at the time of contracting such liabilities (raising

**18. Accounting policies** - continued -

of the loan). The payables are subsequently measured at amortised cost where capital losses and loan expenses are recognised in the income statement as a financial expense over the term of the payable on the basis of the calculated effective interest rate in force at the time of contracting the liability.

Short-term payables are measured at amortised cost, normally corresponding to the nominal value of such payables.

**CASH FLOW STATEMENT**

The cash flow statement is prepared using the indirect method, showing cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities comprise the net profit or loss for the year, adjusted for non-cash operating items, income tax paid and changes in working capital.

Cash flows from investing activities comprise payments in connection with the acquisition and divestment of companies and financial assets as well as the purchase, development, improvement and sale of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise changes in the company's share capital and associated costs and financing from and dividends paid to shareholders as well as the arrangement and repayment of long-term payables.

Cash and cash equivalents at the beginning and end of the year comprise cash.