Epta Refrigeration Systems ApS

Farum Gydevej 77, 3520 Farum

CVR no. 34 71 93 81

Annual report for 2023

Årsrapporten er godkendt på den
ordinære generalforsamling, d. 04.07.24

Kim Berglund Andersen
Dirigent

Table of contents

Company information etc.

The company

Epta 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

Kim Berglund Andersen

Board of Directors

Karel Fort
Roberto Iammarino
Kim Berglund Andersen

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 01.01.23 - 31.12.23 for Epta Refrigeration Systems ApS.

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

In our opinion, the financial statements give a true and fair view of the company's assets, liabilities and financial position as at 31.12.23 and of the results of the company's activities for the financial year 01.01.23 - 31.12.23.

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, July 4, 2024

Executive Board

Kim Berglund Andersen

Board of Directors

Karel Fort Chairman	Roberto Iammarino	Kim Berglund Andersen

To the capital owner of Epta 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 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 Viessmann Refrigeration Systems 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 ("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 the management's review

Management is responsible for the 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 responsibilities 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 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.

Hellerup, July 4, 2024

PricewaterhouseCoopers
Statsautoriseret
Revisionspartnerselskab
CVR no. 33771231

Leif Ulbæk Jensen	James Liang
State Authorized Public Accountant	State Authorized Public Accountant
mne23327	mne34549

FINANCIAL HIGHLIGHTS

Key figures

Figures in DKK '000	2023	2022	2021	2020	2019
Profit/loss					
Gross profit	21,591	36,363	22,807	1,104	-1,991
Operating loss	-25,695	-14,217	-18,987	-9,045	-6,955
Total net financials	-3,382	-5,399	-1,713	-648	-298,628
Loss for the year	-26,998	-17,037	-20,700	-9,693	-6,956
Balance					
Total assets	74,772	69,465	68,640	51,821	11,085
Investments in property, plant and equipment	0	19	101	1,598	312
Equity	6,681	-55,854	-38,817	-18,117	-8,424

Ratios

	2023	2022	2021	2020	2019
Equity ratio					
Solvency ratio	9%	-80%	-57%	-35%	-76%
Others					
Number of employees (average)	62	62	58	13	5

Ratios definitions

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

Primary activities

The company's main acivitites consists 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 01.01.23 - 31.12.23 shows a loss before tax of DKK -29,077k and after tax of DKK -26,998k against DKK -19,917 / -17,037k (result before and after tax) for the period 01.01.22 - 31.12.22.
The balance sheet shows equity of DKK 6,681k against -55,853k in 2022.

In 2023 Epta Refrigeration Solutions announced that, following the approval by the Antitrust Authorities, they have successfully completed the transaction announced on 18 July 2023, aimed to create a new leader in commercial refrigeration in Central and Northern Europe.
On 31. October 2023 Viessmann and Epta entered into a joint venture with Epta as the main shareholder. The Viessmann companies continued under the Epta brand.
Epta Refrigeration Systems ApS still maintained its position as one of the leading actors on the Danish market for commercial refrigeration. The main customers of the company are from food retail and convenience business. Result are lower than expected from outlook of 2022, driven by change of strategy during the year due to the announcement of the new joint venture.

Information on going concern

During the year, the company has carried out a debt conversion. This means that the company's equity is no longer negative. Further more, 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 2023, targeting a profit before tax between DKK -7,000k to -5,000k 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.

Subsequent events

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

Income statement

Note		2023 DKK	2022 DKK
2	**Gross profit**	**21,591,222**	**36,363,360**
3	Staff costs	-44,846,601	-45,560,867
	Loss before depreciation, amortisation, write-downs and impairment losses	**-23,255,379**	**-9,197,507**
2	Depreciation, amortisation and impairments losses of intangible assets and property, plant and equipment	-2,439,826	-5,019,747
	Operating loss	**-25,695,205**	**-14,217,254**
2	Impairment losses on financial assets	0	-2,422,000
4	Financial expenses	-3,381,617	-2,977,263
	Loss before tax	**-29,076,822**	**-19,616,517**
5	Tax on loss for the year	2,079,271	2,579,940
	Loss for the year	**-26,997,551**	**-17,036,577**

6 Proposed appropriation account

Balance sheet

ASSETS

Note		31.12.23 DKK	31.12.22 DKK
	Software	2,152,866	4,282,163
7	**Total intangible assets**	**2,152,866**	**4,282,163**
	Other fixtures and fittings, tools and equipment	247,978	558,508
8	**Total property, plant and equipment**	**247,978**	**558,508**
9	Deposits	502,427	430,657
	Total investments	**502,427**	**430,657**
	Total non-current assets	**2,903,271**	**5,271,328**
	Manufactured goods and goods for resale	13,778,008	13,200,575
	Total inventories	**13,778,008**	**13,200,575**
10	Work in progress for third parties	5,448,306	8,687,738
	Trade receivables	44,279,946	26,747,099
	Receivables from group enterprises	361,349	325,578
	Income tax receivable	1,958,832	2,579,940
	Other receivables	42,683	16,885
11	Prepayments	791,650	1,057,816
	Total receivables	**52,882,766**	**39,415,056**
	Cash	**5,207,904**	**11,577,771**
	Total current assets	**71,868,678**	**64,193,402**
	Total assets	**74,771,949**	**69,464,730**

Balance sheet

EQUITY AND LIABILITIES

Note		31.12.23 DKK	31.12.22 DKK
	Contributed capital	80,000	80,000
	Retained earnings	6,600,869	-55,933,580
	Total equity	**6,680,869**	**-55,853,580**
12	Other provisions	6,974,000	4,273,411
	Total provisions	**6,974,000**	**4,273,411**
13	Subordinate loan capital	0	66,928,500
13	Payables to group enterprises	27,643,239	33,504,201
13	Other payables	1,204,006	1,163,291
	Total long-term payables	**28,847,245**	**101,595,992**
	Trade payables	8,897,580	4,960,271
	Payables to group enterprises	17,781,178	8,369,721
	Other payables	5,591,077	6,118,915
	Total short-term payables	**32,269,835**	**19,448,907**
	Total payables	**61,117,080**	**121,044,899**
	Total equity and liabilities	**74,771,949**	**69,464,730**

1 Information as regards going concern
14 Contingent assets
15 Contingent liabilities
16 Charges and security
17 Related parties

Statement of changes in equity

Figures in DKK	Contributed capital	Retained earnings	Total equity
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
Statement of changes in equity for 01.01.23 - 31.12.23			
Balance as at 01.01.23	80,000	-55,933,580	-55,853,580
Debt conversion	0	89,532,000	89,532,000
Net profit/loss for the year	0	-26,997,551	-26,997,551
Balance as at 31.12.23	80,000	6,600,869	6,680,869

1. Information as regards going concern

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:	2023 DKK	2022 DKK
Reversal of other provisions	Gross profit	0	6,300,000
Impairment losses on intangible assets	Depreciation and amortisation of and impairment losses on intangible assets and property, plant and equipment	-1,241,409	-2,741,049
Impairment losses on other receivables	Impairment losses on financial assets	0	-2,422,000
Total		-1,241,409	1,136,951

2023: special items relates to impairment of intangible assets.

2022: special items relates to reevaluation of financial assets as well as a related provisions.

	2023 DKK	2022 DKK

3. Staff costs

Wages and salaries	40,487,338	41,270,379
Pensions	2,802,359	2,966,890
Other social security costs	303,684	146,185
Other staff costs	1,253,220	1,177,413
Total	44,846,601	45,560,867
Average number of employees during the year	62	62

Remuneration for the management:

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

With refference to the exemption clause in the Financial Statements Act (Årsregnskabsloven) section 98b, the remuneration for Management has not been disclosed for 2023 since only the Executive Board has received compensation and the Executive Board only consists of one person.

4. Financial expenses

Interest, group enterprises	2,859,247	2,387,477
Other financial expenses total	522,370	589,786
Total	3,381,617	2,977,263

5. Tax on loss for the year

Current tax for the year	-2,248,441	-2,579,940
Adjustment of tax in respect of previous years	169,170	0
Total	-2,079,271	-2,579,940

	2023 DKK	2022 DKK

6. Proposed appropriation account

Retained earnings	-26,997,551	-17,036,577
Total	-26,997,551	-17,036,577

7. Intangible assets

Figures in DKK	Software
Cost as at 01.01.23	6,015,709
Cost as at 31.12.23	6,015,709
Amortisation and impairment losses as at 01.01.23	-1,733,546
Impairment losses during the year	-1,241,409
Amortisation during the year	-887,888
Amortisation and impairment losses as at 31.12.23	-3,862,843
Carrying amount as at 31.12.23	2,152,866

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

8. Property, plant and equipment

Figures in DKK	Other fixtures and fittings, tools and equipment
Cost as at 01.01.23	1,496,168
Cost as at 31.12.23	1,496,168
Depreciation and impairment losses as at 01.01.23	-937,660
Depreciation during the year	-310,530
Depreciation and impairment losses as at 31.12.23	-1,248,190
Carrying amount as at 31.12.23	247,978

9. Non-current financial assets

Figures in DKK	Deposits
Cost as at 01.01.23	430,656
Additions during the year	71,771
Cost as at 31.12.23	502,427
Carrying amount as at 31.12.23	502,427

	31.12.23 DKK	31.12.22 DKK

10. Work in progress for third parties

Work in progress for third parties	8,841,018	9,626,434
On-account invoicing	-3,392,712	-938,696
Total work in progress for third parties	5,448,306	8,687,738
Work in progress for third parties is recognized in the balance sheet as:		
Work in progress for third parties	5,448,306	8,687,738
Total	5,448,306	8,687,738

11. Prepayments

Prepaid expenses	791,650	1,057,816
Total	791,650	1,057,816

12. Other provisions

Figures in DKK	Warranty commitments
Provisions as at 01.01.23	4,273,411
Provisions during the year	2,700,589
Provisions as at 31.12.23	6,974,000

	31.12.23 DKK	31.12.22 DKK
Other provisions are expected to be distributed as follows:		
Non-current liabilities	0	0
Current liabilities	6,974,000	4,273,411
Total	6,974,000	4,273,411

13. Long-term payables

Figures in DKK	Outstanding debt after 5 years	Total payables at 31.12.23	Total payables at 31.12.22
Subordinate loan capital	0	0	66,928,500
Payables to group enterprises	0	27,643,239	33,504,201
Other payables	1,204,006	1,204,006	1,163,291
Total	1,204,006	28,847,245	101,595,992

Other payables comprise frozen holiday payments.

14. Contingent assets

The company has a deferred tax asset of DKK 13.972k, 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.

15. Contingent liabilities

Lease commitments

The company has concluded lease agreements with total lease payments of DKK 7,303k.

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.

16. Charges and security

The company has registered a negativ pledge concerning trade receivables.

17. Related parties

Controlling influence	Basis of influence
Epta S.p.A., Milano, Italy	Majority of voring rights
Epta Central North Europe B.V., Amstelveen, Netherlands	Majority of voting rights
Viessmann Refrigeration Solutions GmbH, Allendorf, Germany	Majority of voting rights
Viessmann Refrigeration Systems Oy, Porvoo, Finland	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 Epta S.p.A., Milano, Italy.

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.

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 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.

18. Accounting policies - continued -

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 andthe 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 ofthe 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.

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.

18. Accounting policies - continued -

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 obsolecense and net realisable value.

Other external expenses

Other external expenses comprise costs relating to distribution, sales and advertising, 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
Software	5	0
Other plant, fixtures and fittings, tools and equipment	3-5	0

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.

18. Accounting policies - continued -

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.

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.

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.

18. Accounting policies - continued -

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.

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.

18. Accounting policies - continued -

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.

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.

18. Accounting policies - continued -

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

CASH FLOW STATEMENT

Referring to section 86(4) of the Danish Financial Statements Act a cash flow statement has not been prepared as the enterprise is included in the consolidated cash flow statement.