

# Leca Danmark A/S

Randersvej 75, 8940 Randers SV  
CVR no. 38 31 79 62

## Annual report for 2023

This annual report has been adopted at the  
annual general meeting on 25.06.24

Peter Møller

Chairman of the meeting

  
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**The company**

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Leca Danmark A/S  
Randersvej 75  
8940 Randers SV  
Registered office: Randers  
CVR no.: 38 31 79 62  
Financial year: 01.01 - 31.12  
7th financial year

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**Executive Board**

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Harald Cholewa

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**Board of Directors**

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Fabrice Didier  
Jacek Nowakowski  
Harald Cholewa  
Nicole Wilming  
Peter Møller

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**Auditors**

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KPMG P/S

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**Parent company**

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Saint-Gobain Denmark A/S

  
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# 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 Leca Danmark A/S.

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.

Randers SV, June 25, 2024

## Executive Board


  
Harald Cholewa (Jun 25, 2024 15:16 GMT+2)  
Harald Cholewa


## Board of Directors

  
Fabrice Didier (Jun 25, 2024 09:17 GMT+2)  
Fabrice Didier  
Chairman

  
Nicole Wilming

  
Jacek Nowakowski

  
Peter Møller (Jun 25, 2024 11:40 GMT+2)  
Peter Møller

  
Harald Cholewa (Jun 25, 2024 15:16 GMT+2)  
Harald Cholewa

**To the Shareholder of Leca Danmark A/S****Opinion**

We have audited the financial statements of Leca Danmark A/S for the financial year 01.01.23 - 31.12.23, which comprise income statement, balance sheet, statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion the financial statements give a true and fair view of the company's financial position at 31.12.23 and of the results of the company's operations for the financial year 01.01.23 - 31.12.23 in accordance with the Danish Financial Statements Act.

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the 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 the management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, it is our responsibility 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, we conclude that the 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 of the 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.

**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.

  
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- 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, June 25, 2024

**KPMG P/S**

CVR no. 25578198

Mikkel Trabjerg Knudsen  
Mikkel Trabjerg Knudsen (Jun 25, 2024 18:37 GMT+2)

Mikkel Trabjerg Knudsen  
State Authorized Public Accountant  
MNE-no. mne34459

Jonas Ellevang Andersen  
Jonas Ellevang Andersen (Jun 25, 2024 16:35 GMT+2)

Jonas Ellevang Andersen  
State Authorized Public Accountant  
MNE-no. mne50562

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

Figures in DKK '000	2023	2022	2021	2020	2019
<i>Profit/loss</i>					
Gross profit	18,138	25,547	92,765	92,431	92,282
Operating loss	-21,044	-28,417	33,655	38,847	51,528
Total net financials	-7,024	-2,540	444	-2,979	-943
Loss for the year	-22,093	-24,713	25,787	27,265	39,028
<i>Balance</i>					
Total assets	343,099	305,231	299,677	272,605	277,171
Investments in property, plant and equipment	20,400	21,632	28,625	36,235	662,332
Equity	22,632	44,725	112,825	106,038	108,773









**Ratios**

	2023	2022	2021	2020	2019
<i>Profitability</i>					
Return on equity	-66%	-31%	24%	25%	40%
<i>Equity ratio</i>					
Solvency ratio	7%	15%	38%	39%	39%

In 2023, the company changed its accounting policies for salary reimbursements. The company has reclassified income associated with salary reimbursement in the income statement. Salary reimbursement were previously classified under production, distribution and administration costs. From the current year, salary reimbursement are classified as "other operating income"

The comparative figures for 2022 have been restated in accordance with the new accounting policies. Financial highlights for the past 2 to 4 years have not been restated in accordance with the change in accounting policies, see section 101(3) of the Danish Financial Statements Act.

*Ratios definitions*

Return on equity:	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$
Solvency ratio:	$\frac{\text{Equity, end of year} \times 100}{\text{Total assets}}$

### Primary activities

The company's activities consist of production and business-to-business sales of Leca products, which are used for insulation, basements walls, foundation, protection against penetration of radon and ground deck etc. The company's products are primarily sold in Denmark and on the European market.

### Development in activities and financial affairs

The income statement for the period 01.01.23 - 31.12.23 shows a profit/loss of DKK -22,092,511 against DKK -24,713,153 for the period 01.01.22 - 31.12.22. The balance sheet shows equity of DKK 22,632,447.

The management does not consider the net profit for the year to be satisfactory.

The earnings expectations for 2023 were not met mainly due to VUCA challenges and significant drop of construction market in Denmark and nearly all European countries as well. Refer to note 2 with special items.

### Outlook

The company expects a positive result before tax for the coming year at 21,6 mio. DKK.

### Knowledge resources

The company strives to have an organization with significant diversity in education, experience, gender, age and cultural background. This diversity and the competences of the people supports and encourages innovation, learning, and helps building the organizational culture that will enable us to deliver on our strategic targets.

  
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## Financial risks

### *Price risks*

Increased costs of commodities and energy costs in 2023 have been partly offset by efficiency improvements. The company continues to focus on optimizing the use of resources and improving efficiency.

### *Interest rate risks*

The company's cash is managed in accordance with the Saint-Gobain Group agreement. All financial transactions are managed within the Group and risks are thereby minimized.

### *Other risks*

The activity in the English market, which is managed through the company's branch in the UK, can be affected by "Brexit". However, the effect is still difficult to estimate and the company continues to monitor the development closely and is prepared to respond quickly to any developments in order to ensure that the risk is minimized.

## External environment

The company focuses on and allocates resources for the work on improvements and investments in the environmental area. Based on the company's policies, objectives and goals, there are action plans that ensure a continuous reduction of the company's environmental impact. The company is certified according to DS / EN ISO 14000: 2008.

## Subsequent events

No important events have occurred after the end of the financial year. Refer to note 1.

## Branches abroad

The company has a branch in England in charge of sales of the company's products in the local markets.



## Income statement

Note	2023 DKK	2022 DKK
<b>Gross profit</b>	<b>18,137,795</b>	<b>25,546,666</b>
Distribution costs	-23,113,003	-37,454,136
Administration costs	-15,360,406	-16,130,168
Other operating expenses	-708,393	-378,999
<b>Operating loss</b>	<b>-21,044,007</b>	<b>-28,416,637</b>
Financial income	1,048,537	784,568
<sup>4</sup> Financial expenses	-8,072,479	-3,324,829
<b>Loss before tax</b>	<b>-28,067,949</b>	<b>-30,956,898</b>
<sup>5</sup> Tax on loss for the year	5,975,438	6,243,745
<b>Loss for the year</b>	<b>-22,092,511</b>	<b>-24,713,153</b>

<sup>6</sup> Proposed appropriation account

<b>ASSETS</b>		31.12.23	31.12.22
		DKK	DKK
Note			
	Acquired rights	0	136,539
	Goodwill	1,549,398	3,873,493
<b>7</b>	<b>Total intangible assets</b>	<b>1,549,398</b>	<b>4,010,032</b>
	Land and buildings	42,044,317	39,070,010
	Plant and machinery	163,723,549	173,240,732
	Other fixtures and fittings, tools and equipment	1,170,784	1,624,630
	Property, plant and equipment under construction	7,335,566	751,168
<b>8</b>	<b>Total property, plant and equipment</b>	<b>214,274,216</b>	<b>214,686,540</b>
	<b>Total non-current assets</b>	<b>215,823,614</b>	<b>218,696,572</b>
	Raw materials and consumables	14,734,424	21,591,173
	Manufactured goods and goods for resale	31,354,526	20,914,205
	Prepayments for goods	149,223	0
	<b>Total inventories</b>	<b>46,238,173</b>	<b>42,505,378</b>
	Trade receivables	22,321,281	18,712,701
	Receivables from group enterprises	5,572,917	6,596,577
	Income tax receivable	25,541,197	15,055,720
	Other receivables	26,401,616	2,869,112
<b>9</b>	<b>Prepayments</b>	<b>1,200,682</b>	<b>794,510</b>
<b>10</b>	<b>Total receivables</b>	<b>81,037,693</b>	<b>44,028,620</b>
	<b>Total current assets</b>	<b>127,275,866</b>	<b>86,533,998</b>
	<b>Total assets</b>	<b>343,099,480</b>	<b>305,230,570</b>







<b>EQUITY AND LIABILITIES</b>		31.12.23	31.12.22
Note		DKK	DKK
11	Share capital	510,000	510,000
	Retained earnings	22,122,447	44,214,958
	<b>Total equity</b>	<b>22,632,447</b>	<b>44,724,958</b>
12	Provisions for deferred tax	24,082,757	7,936,832
13	Other provisions	0	54,641,218
	<b>Total provisions</b>	<b>24,082,757</b>	<b>62,578,050</b>
14	Payables to group enterprises	124,618,388	95,524,896
14	Deferred income	50,427,397	29,812,178
	<b>Total long-term payables</b>	<b>175,045,785</b>	<b>125,337,074</b>
14	Short-term part of long-term payables	4,336,000	4,332,000
	Trade payables	30,779,110	40,347,511
	Payables to group enterprises	67,889,757	13,209,691
	Other payables	18,333,624	14,701,286
	<b>Total short-term payables</b>	<b>121,338,491</b>	<b>72,590,488</b>
	<b>Total payables</b>	<b>296,384,276</b>	<b>197,927,562</b>
	<b>Total equity and liabilities</b>	<b>343,099,480</b>	<b>305,230,570</b>
15	Contingent liabilities		
16	Charges and security		
17	Related parties		

**Statement of changes in equity**

Figures in DKK	Share capital	Retained earnings	Total equity
Statement of changes in equity for 01.01.23 - 31.12.23			
Balance as at 01.01.23	510,000	44,214,958	44,724,958
Net profit/loss for the year	0	-22,092,511	-22,092,511
Balance as at 31.12.23	510,000	22,122,447	22,632,447

  
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### 1. Subsequent events

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

### 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
CO2 quotas	Production costs	8,639,760	21,290,233
Total		8,639,760	21,290,233

### 3. Employee aspects

Wages and salaries	47,215,937	47,438,041
Pensions	4,152,129	3,662,153
Other social security costs	832,786	861,561
Total	52,200,852	51,961,755

Total staff costs comprise:

Production costs	32,095,696	31,355,193
Distribution costs	7,440,152	6,380,580
Administration costs	12,665,004	14,225,981
Total	52,200,852	51,961,754

Average number of employees during the year	85	82
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### 3. Employee aspects - continued -

The company has chosen to apply the exemption provision for disclosure of management salaries according to the rules in section 98b (3) of the Danish Financial Statements Act.

The board does not receive any salaries.

Incentive programmes:

The Saint-Gobain Group has established a share-based remuneration program for the Executive Board and senior executives of Leca International. The senior executives are awarded a number of shares annually in the Saint Gobain Group, which are tied for 4 years, after which they are released without payment. The receipt of the shares is conditional on the shareholder being in a vacant position, with certain exceptions, at the time of release. At the same time, the allocation of 65% of the shares is conditional on the size of the key figure "return on invested capital", while the allocation of 20% of the shares is conditional on the share price at the time of the acquisition. The last 15% is conditional on the company's CPI regarding Social Responsibility. However, the first 100 shares are released regardless of fulfillment of the criteria. Special provisions apply regarding sickness and death and changes in the company's capital structure etc. The share program is recognized as an equity-based scheme. Settlement to the parent entity is recognized through equity.

	2023	2022
	DKK	DKK
<b>4. Financial expenses</b>		
Interest, group enterprises	6,789,302	1,128,537
Other interest expenses	0	14,543
Foreign currency translation adjustments	1,209,514	2,102,351
Other financial expenses	73,663	79,398
Other financial expenses total	1,283,177	2,196,292
Total	8,072,479	3,324,829

2023	2022
DKK	DKK

**5. Tax on loss for the year**

Current tax for the year	-22,060,883	-8,666,163
Adjustment of deferred tax for the year	16,145,925	2,422,418
Adjustment of tax in respect of previous years	-60,480	0
<b>Total</b>	<b>-5,975,438</b>	<b>-6,243,745</b>

**6. Proposed appropriation account**

Retained earnings	-22,092,511	-24,713,153
<b>Total</b>	<b>-22,092,511</b>	<b>-24,713,153</b>

**7. Intangible assets**

Figures in DKK	Acquired rights	Goodwill	Total
Cost as at 01.01.23	4,959,811	16,087,904	21,047,715
Cost as at 31.12.23	4,959,811	16,087,904	21,047,715
Amortisation and impairment losses as at 01.01.23	-4,823,272	-12,214,411	-17,037,683
Amortisation during the year	-136,539	-2,324,095	-2,460,634
Amortisation and impairment losses as at 31.12.23	-4,959,811	-14,538,506	-19,498,317
Carrying amount as at 31.12.23	0	1,549,398	1,549,398

## 8. Property, plant and equipment

Figures in DKK	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment under construction
Cost as at 01.01.23	145,063,102	320,732,142	8,614,697	751,168
Additions during the year	5,783,601	7,752,398	178,000	6,686,398
Disposals during the year	0	-82,000	0	0
Transfers during the year to/from other items	0	102,000	0	-102,000
Cost as at 31.12.23	150,846,703	328,504,540	8,792,697	7,335,566
Depreciation and impairment losses as at 01.01.23	-105,993,092	-147,491,410	-6,990,067	0
Depreciation during the year	-2,809,294	-17,371,581	-631,846	0
Reversal of depreciation of and impairment losses on disposed assets	0	82,000	0	0
Depreciation and impairment losses as at 31.12.23	-108,802,386	-164,780,991	-7,621,913	0
Carrying amount as at 31.12.23	42,044,317	163,723,549	1,170,784	7,335,566

	31.12.23 DKK	31.12.22 DKK
<b>9. Prepayments</b>		
Other prepayments	1,200,682	794,510
Total	1,200,682	794,510

### 10. Receivables

Other receivables amounts to DKK 26,401,616, whereof DKK 24,955,544 is related to grant receivable from the Danish Energy Agency.

### 11. Share capital

The share capital consists of:

	Quantity	Total nominal value DKK
Share capital	510,000	510,000

The share capital has been fully paid in at the balance sheet date.

	31.12.23 DKK	31.12.22 DKK
<b>12. Deferred tax</b>		
Deferred tax as at 01.01.23	7,936,832	5,514,414
Deferred tax recognised in the income statement	16,145,925	2,422,418
Deferred tax as at 31.12.23	24,082,757	7,936,832

**13. Other provisions**

Figures in DKK	Other provisions
Provisions as at 01.01.23	54,641,218
Applied during the year	-54,641,218
Provisions as at 31.12.23	0

	31.12.23 DKK	31.12.22 DKK
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Other provisions are expected to be distributed as follows:

Current liabilities	0	54,641,218
Total	0	54,641,218

Other provisions relate to CO2 quotas payables.

**14. Long-term payables**

Figures in DKK	Repayment first year	Outstanding debt after 5 years	Total payables at 31.12.23	Total payables at 31.12.22
Payables to group enterprises	0	0	124,618,388	95,524,896
Deferred income	4,336,000	8,127,000	54,763,397	34,144,178
<b>Total</b>	<b>4,336,000</b>	<b>8,127,000</b>	<b>179,381,785</b>	<b>129,669,074</b>

Deferred income comprises of grants received on account for the construction of assets. The total grant to be received will be recognized as income over the useful life of the related asset when the related assets is ready for use.

**15. Contingent liabilities***Lease commitments*

The company has concluded lease agreements for cars and operating equipment. The remaining payment consist of a total of DKK 4,384 thousand, which falls due within 5 years. Of this, DKK 1,179 thousand falls due within 12 months.

*Other contingent liabilities*

The company is taxed jointly with the other Danish companies in the group and is liable for income taxes on a pro rata basis and must comply with any obligations to withhold tax at source on interest, royalties and dividends for the jointly taxed companies.

**16. Charges and security**

The company has provided a guarantee to the Region Midtjylland regarding an obligation for remediation and restoration for gravel and clay graves for DKK 3,500 thousand. In the balance sheet, DKK 0 has been allocated for restoration.

**17. Related parties**

Controlling influence	Basis of influence
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Saint-Gobain Denmark A/S	Parent company
Compagnie de Saint-Gobain, Frankrig	Ultimate parent company

	2023	2022
Transactions	DKK	DKK
Sales of goods to group entities	93,485,064	127,622,275
Sales of services to group entities	27,522,163	25,087,536
Purchase of services from group entities	21,118,116	17,493,722

Payables to group companies are disclosed in the balance sheet, and interest expense is disclosed in note 4.

The company is included in the consolidated financial statements of the parent Compagnie de Saint-Gobain, Frankrig.

## 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.

### Change in accounting policies

The company has changed its accounting policies in the following areas:

#### *Presentation of income/expenses in the income statement*

The company has reclassified income associated with salary reimbursement in the income statement. Salary reimbursement were previously classified under production, distribution and administration costs. From the current year, salary reimbursement are classified as "other operating income" in the income statement as management believes that this will provide a fairer presentation. Comparative figures have been restated in accordance with the new accounting policy. The change in accounting policy has no impact on the net profit or loss for the year, equity or balance sheet total.

Except for the areas mentioned above, the accounting policies have been applied consistently with the previous year.

### 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.



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

**LEASES**

Lease payments relating to operating leases are recognised in the income statement on a straight-line basis over the lease term.

**GRANTS**

Grants are recognised when there is reasonable certainty that the grant conditions have been met and that the grant will be received.

Grants to cover expenses incurred are recognised on a proportionate basis in the income statement over the period in which the expenses eligible for grants are expensed. Grants are recognised under other operating income.

Grants received for the production or construction of assets are recognised as deferred income under payables. For depreciable and amortisable assets, the grant is recognised as the asset is depreciated or amortised.

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

According to section 32 of the Danish Financial Statements Act gross profit comprises revenue and production costs as well as other operating income.



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

**Production costs**

Costs incurred, directly or indirectly, to generate the revenue for the year, including raw materials and consumables, wages and salaries, utilisation of CO2 quotas and lease of and depreciation, amortisation and impairment losses on the fixed assets used in the production process, are recognised under production costs.

**Distribution costs**

Costs for the distribution of goods sold during the year and sales campaigns etc., including wages and salaries for sales staff, advertising and exhibition costs etc. and lease of and depreciation, amortisation and impairment losses on the fixed assets used in the distribution and sales activity, are recognised under distribution costs.

**Administrative costs**

Expenses incurred during the year for management and administration, including wages and salaries for administrative staff and management as well as office premise expenses, office expenses, bad debts etc. and lease of and depreciation, amortisation and impairment losses on the fixed assets used for administration, are recognised under administrative costs.

**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 -**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
Acquired rights	3-5	0
Goodwill	7	0
Buildings	15-25	0
Plant and machinery	3-15	0
Other plant, fixtures and fittings, tools and equipment	3-7	0

Goodwill is amortised over 7 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.

Land is not depreciated.

**Other operating expenses**

Other operating expenses comprise costs of a secondary nature in relation to the enterprise's activities, including costs relating to losses on the sale of intangible assets and property, plant and equipment.

**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 consolidated 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.







**18. Accounting policies** - continued -

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.

**BALANCE SHEET****Intangible assets***Acquired rights*

Acquired rights are measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Acquired rights 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.

**Property, plant and equipment**

Property, plant and equipment comprise land and buildings, plant and machinery as well as 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.

The total cost of an asset is decomposed into separate components that are depreciated separately if the useful lives of the individual components vary.

**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.

Clay deposits and sand pit, which are included in land and buildings, are measured at cost less the calculated value of excavated clay and sand. The calculated value of clay and sand is expensed under production costs.

*Property, plant and equipment under construction*

Property, plant and equipment under construction are measured at cost. Costs incurred on property, plant and equipment under construction are transferred to the relevant asset category when the asset is ready for use.

*Gains and losses on the disposal of property, plant and equipment*

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 cost of manufactured finished goods and work in progress is determined as the value of direct and indirect material and labour costs. Production overheads include indirect material and labour costs as well as maintenance and depreciation of machinery, buildings and equipment used in the production process as well as the costs of factory administration and management. Interest on loans arranged to finance production is not included in the cost.

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.

Receivables for which there is no objective evidence of individual impairment are assessed for objective evidence of impairment at portfolio level. The objective indicators used at portfolio level are based on historical experience.

**Prepayments**

Prepayments recognised under assets comprise costs incurred in respect of subsequent financial years. Prepayments consist of prepaid expenses relating to administration.

**Provisions**

Other provisions comprise expected expenses for CO2 quotas 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

**18. Accounting policies** - continued -

over the longer term.

**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**

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. Other short-term payables are measured at net realisable value.

**18. Accounting policies** - continued -

**Deferred income**

Deferred income under liabilities comprise of grants received for the construction of assets.

**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.

  
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