Balyfa A/S

Smedeland 17, 2600 Glostrup

Company reg. no. 43 13 76 11

Annual report

1 July 2019 - 30 June 2020

The annual report was submitted and approved by the general meeting on the 13 November 2020.

Marie-Louise Bjerg
Chairman of the meeting

Contents

Notes:

- To ensure the greatest possible applicability of this document, IAS/IFRS English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance DKK 146.940 means the amount of DKK 146,940, and that 23,5 % means 23.5 %.

Management's report

Today, the board of directors and the managing director have presented the annual report of Balyfa A/S for the financial year 1 July 2019 - 30 June 2020.

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

We consider the accounting policies appropriate and, in our opinion, the financial statements provide a fair presentation of the company’s assets, equity and liabilities, and financial position at 30 June 2020 and of the company’s results of activities in the financial year 1 July 2019 – 30 June 2020.

We are of the opinion that the management commentary presents a fair account of the issues dealt with.

We recommend that the annual report be approved by the general meeting.

Glostrup, 23 October 2020

Managing Director

Niels Ojén Andersen

Board of directors

Marie-Louise Bjerg	Jesper Favre-Bulle Malling Petersen	Birger Niels Bøgeblad

Niels Ojén Andersen

Independent auditor's report

To the shareholders of Balyfa A/S

Opinion

We have audited the financial statements of Balyfa A/S for the financial year 1 July 2019 - 30 June 2020, which comprise accounting policies, income statement, statement of financial position and notes. The financial statements have been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements present a fair view of the company's assets, equity and liabilities, and financial position at 30 June 2020 and of the results of the company's activities for the financial year 1 July 2019 - 30 June 2020 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with international standards on auditing and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the section “Auditor’s responsibilities for the audit of the financial statements”. We are independent of the company in accordance with international ethical requirements for auditors (IESBA’s Code of Ethics), and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of financial statements that provide a fair view in accordance with the Danish Financial Statements Act. Management is also responsible for such 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 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 including an opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with international standards on auditing, 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.

Independent auditor's report

As part of an audit conducted in accordance with international standards on auditing, 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 the 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 preparation of the financial statements using the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists arising from 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 disclosures in notes, and whether the financial statements reflect the underlying transactions and events in a manner that presents a 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 the internal control that we identify during our audit.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we express no assurance opinion thereon.

Independent auditor's report

In connection with our audit of the financial statements, it is our responsibility to read the management commentary and to consider whether the management commentary is materially inconsistent with the financial statements or the evidence obtained during the audit, or whether it otherwise appears to contain material misstatement.

Furthermore, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we believe that management commentary is consistent with the financial statements and that it has been prepared in accordance with the provisions of the Danish Financial Statement Act. We did not discover any material misstatement in the management commentary.

Copenhagen, 23 October 2020

BUUS JENSEN
State Authorised Public Accountants
Company reg. no. 16 11 90 40

Ulrik Nørskov
State Authorised Public Accountant
mne29456

Company information

The company	Balyfa A/S Smedeland 17 2600 Glostrup	
	Company reg. no.	43 13 76 11
	Established:	2 January 1973
	Domicile:	Glostrup
	Financial year:	1 July 2019 - 30 June 2020
Board of directors	Marie-Louise Bjerg Jesper Favre-Bulle Malling Petersen Birger Niels Bøgeblad Niels Ojén Andersen	
Managing Director	Niels Ojén Andersen	
Auditors	BUUS JENSEN, Statsautoriserede revisorer	
Parent company	Metal Parts Holding ApS	
Subsidiary	Balyfa Hungary Kft, Ungarn	

Management commentary

The principal activities of the company

Like previous years, the principal activities are produces and sells springs and metal parts to, amoung others, the automative industry, manufacturers of power plants and to industrial customers in general. With production facilities in both Denmark and Hungary, the company is centrally located, allowing us to provide an excellent and efficient service.

Development in activities and financial matters

Income or loss from ordinary activities after tax totals DKK 33.158 against DKK 548.920 last year. Management considers the net profit for the year as expected.

Expected developments

The management expects a positive result for the coming financial year.

Income statement 1 July - 30 June

All amounts in DKK.

Note		2019/20	2018/19
	Gross profit	**9.954.181**	**8.635.656**
1	Staff costs	-9.782.934	-11.483.058
	Depreciation and impairment of property, land, and equipment	-453.328	-413.341
	Operating profit	**-282.081**	**-3.260.743**
	Income from equity investments in group enterprises	373.888	3.508.721
2	Other financial income from group enterprises	396.838	477.412
	Other financial income	14.068	0
3	Other financial costs	-469.555	-468.470
	Pre-tax net profit or loss	**33.158**	**256.920**
4	Tax on net profit or loss for the year	0	292.000
	Net profit or loss for the year	**33.158**	**548.920**
	Proposed appropriation of net profit:		
	Reserves for net revaluation according to the equity method	373.887	2.018.760
	Allocated from retained earnings	-340.729	-1.469.840
	Total allocations and transfers	**33.158**	**548.920**

Statement of financial position at 30 June

All amounts in DKK.

Note	Assets	2020	2019
	Non-current assets		
5	Plant and machinery	808.235	1.163.800
6	Other fixtures and fittings, tools and equipment	11.771	31.951
	Total property, plant, and equipment	820.006	1.195.751
7	Equity investments in group enterprises	11.184.500	10.827.437
8	Deposits	478.020	466.362
	Total investments	11.662.520	11.293.799
	Total non-current assets	**12.482.526**	**12.489.550**
	Current assets		
	Raw materials and consumables	1.137.210	1.303.760
	Work in progress	319.952	221.751
	Manufactured goods and goods for resale	4.255.765	4.916.434
	Total inventories	5.712.927	6.441.945
	Trade receivables	3.224.208	3.302.497
9	Receivables from group enterprises	14.970.760	18.527.851
	Deferred tax assets	438.000	438.000
	Other receivables	35.376	104.537
	Prepayments and accrued income	11.985	15.656
	Total receivables	18.680.329	22.388.541
	Cash on hand and demand deposits	774	1.530
	Total current assets	**24.394.030**	**28.832.016**
	Total assets	**36.876.556**	**41.321.566**

Statement of financial position at 30 June

All amounts in DKK.

Note	**Equity and liabilities**	2020	2019
	Equity		
10	Contributed capital	1.000.000	1.000.000
11	Reserve for net revaluation according to the equity method	2.387.824	2.030.761
12	Retained earnings	16.900.441	17.241.170
	Total equity	**20.288.265**	**20.271.931**
	Liabilities other than provisions		
	Bank loans	3.797.409	5.125.239
13	Total long term liabilities other than provisions	3.797.409	5.125.239
13	Current portion of long term payables	1.500.000	1.500.000
	Bank loans	6.661.829	10.324.850
	Prepayments received from customers	247.500	0
	Trade payables	1.410.885	1.097.678
	Income tax payable	0	189.508
	Other payables	2.970.668	2.812.360
	Total short term liabilities other than provisions	12.790.882	15.924.396
	Total liabilities other than provisions	**16.588.291**	**21.049.635**
	Total equity and liabilities	**36.876.556**	**41.321.566**

14 Charges and security

15 Contingencies

Notes

All amounts in DKK.

		2019/20	2018/19
1.	**Staff costs**		
	Salaries and wages	8.937.461	10.533.059
	Pension costs	689.381	776.839
	Other costs for social security	156.092	173.160
		9.782.934	**11.483.058**
	Average number of employees	18	19

2. Other financial income from group enterprises

Other financial income from group enterprises of t.DKK 397 consists of interest.

		2019/20	2018/19
3.	**Other financial costs**		
	Other financial costs	469.555	468.470
		469.555	**468.470**
4.	**Tax on net profit or loss for the year**		
	Adjustment for the year of deferred tax	0	-292.000
		0	**-292.000**

All amounts in DKK.

5. Plant and machinery

Cost 1 July 2019	4.068.680	3.893.098
Additions during the year	77.583	195.282
Disposals during the year	0	-19.700
Cost 30 June 2020	**4.146.263**	**4.068.680**
Depreciation and writedown 1 July 2019	-2.904.880	-2.536.881
Depreciation for the year	-378.891	-372.596
Writedown for the year	-54.257	0
Reversal of depreciation, amortisation and writedown, assets disposed of	0	4.597
Depreciation and writedown 30 June 2020	**-3.338.028**	**-2.904.880**
Carrying amount, 30 June 2020	**808.235**	**1.163.800**

6. Other fixtures and fittings, tools and equipment

Cost 1 July 2019	2.224.906	2.237.758
Disposals during the year	0	-12.852
Cost 30 June 2020	**2.224.906**	**2.224.906**
Depreciation and writedown 1 July 2019	-2.192.955	-2.166.935
Depreciation for the year	-20.180	-38.872
Reversal of depreciation, amortisation and writedown, assets disposed of	0	12.852
Depreciation and writedown 30 June 2020	**-2.213.135**	**-2.192.955**
Carrying amount, 30 June 2020	**11.771**	**31.951**

Notes

All amounts in DKK.

		30/6 2020	30/6 2019
7.	**Equity investments in group enterprises**		
	Acquisition sum, opening balance 1 July 2019	8.796.676	8.796.676
	Cost 30 June 2020	**8.796.676**	**8.796.676**
	Revaluations, opening balance 1 July 2019	2.030.761	-1.489.961
	Translation by use of the exchange rate valid on balance sheet date	-16.807	12.001
	Results for the year before goodwill amortisation	306.827	3.510.189
	Change in intercompany profit on inventories	67.043	-1.468
	Revaluation 30 June 2020	**2.387.824**	**2.030.761**
	Carrying amount, 30 June 2020	**11.184.500**	**10.827.437**

Financial highlights for the enterprises according to the latest approved annual reports

	Equity interest	Equity	Results for the year	Carrying amount, Balyfa A/S
Balyfa Hungary Kft, Ungarn	100 %	11.333.616	306.827	11.184.500

Change in intercompany profit on inventuries amounts to T.DKK 67. A total intercompany profit of T.DKK 149 has been adjusted.

		30/6 2020	30/6 2019
8.	**Deposits**		
	Cost 1 July 2019	466.362	454.987
	Additions during the year	11.658	11.375
	Cost 30 June 2020	**478.020**	**466.362**
	Carrying amount, 30 June 2020	**478.020**	**466.362**

9. Receivables from group enterprises

The management expects that group enterprise receivable will be collected after 1 year.

		30/6 2020	30/6 2019
10.	**Contributed capital**		
	Contributed capital 1 July 2019	1.000.000	1.000.000
		1.000.000	**1.000.000**

All amounts in DKK.

	30/6 2020	30/6 2019

The share capital consists of 2.000 shares of a nominal value of DKK 500. No shares carry any special rights. There have been no changes in the share capital during the last 5 years.

11. Reserve for net revaluation according to the equity method

	30/6 2020	30/6 2019
Reserves for net revaluation 1 July 2019	2.030.761	0
Share of results	373.887	2.018.760
Exchange rate adjustments	-16.824	12.001
	2.387.824	**2.030.761**

12. Retained earnings

	30/6 2020	30/6 2019
Retained earnings 1 July 2019	17.241.170	18.711.010
Profit or loss for the year brought forward	-340.729	-1.469.840
	16.900.441	**17.241.170**

13. Liabilities other than provision

	Total payables 30 Jun 2020	Current portion of long term payables	Long term payables 30 Jun 2020	Outstanding payables after 5 years
Bank loans	5.297.409	1.500.000	3.797.409	0
	5.297.409	**1.500.000**	**3.797.409**	**0**

14. Charges and security

For bank loans and leasing agreements, t.DKK 11.959, the company has provided security in company assets representing a nominal value of DKK 13.000. This security comprises the assets below, stating the carrying amounts:

	DKK in thousands
Inventories	5.713
Trade receivables	3.224
Property, plant, and equipment	820

All amounts in DKK.

15. Contingencies

Contingent liabilities

	DKK in thousands
Lease liabilities	5.713
Rent liabilities	686
Total contingent liabilities	**6.399**

The company has ongoing litigations. Management expect that this will not affect the financial position of the company.

Joint taxation

With Metal Parts Holding ApS, company reg. no 29 44 83 88 as administration company, the company is subject to the Danish scheme of joint taxation and unlimitedly, jointly, and severally liable, along with the other jointly taxed companies, for the total corporation tax.

The company is unlimitedly, jointly, and severally liable, along with the other jointly taxed companies, for any obligations to withhold tax on interest, royalties, and dividends.

The total tax payable under the joint taxation scheme totals DKK 0.

The liability relating to obligations in connection with withholding tax on dividends, interest, and royalties represents an estimated maximum of DKK 0.

Any subsequent adjustments of corporate taxes or withholding tax, etc., may result in changes in the company's liabilities.

Accounting policies

The annual report for Balyfa A/S has been presented in accordance with the Danish Financial Statements Act regulations concerning reporting class B enterprises. Furthermore, the company has decided to comply with certain rules applying to reporting class C enterprises.

The accounting policies are unchanged from last year, and the annual report is presented in DKK.

Recognition and measurement in general

Income is recognised in the income statement concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs are recognised in the income statement, including depreciations amortisations, writedowns for impairment, provisions, and reversals due to changes in estimated amounts previously recognised in the income statement.

Assets are recognised in the statement of financial position when it seems probable that future economic benefits will flow to the company and the value of the asset can be reliably measured.

Liabilities are recognised in the statement of financial position when it is seems probable that future economic benefits will flow out of the company and the value of the liability can be reliably measured.

Assets and liabilities are measured at cost at the initial recognition. Hereafter, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost, allowing a constant effective interest rate to be recognised during the useful life of the asset or liability. Amortised cost is recognised as the original cost less any payments, plus/less accrued amortisations of the difference between cost and nominal amount. In this way, capital losses and gains are allocated over the useful life of the liability.

Upon recognition and measurement, allowances are made for such predictable losses and risks which may arise prior to the presentation of the annual report and concern matters that exist on the reporting date.

Foreign currency translation

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of transaction. Exchange rate differences arising between the rate at the date of transaction and the rate at the date of payment are recognised in the income statement as an item under net financials.

Receivables, payables, and other foreign currency monetary items are translated using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or initial recognition in the latest financial statements of the receivable or payable is recognised in the income statement under financial income and expenses.

Fixed assets and other nonmonetary assets acquired in foreign currency and not considered to be investment assets are measured using the exchange rate at the transaction date.

If the foreign group enterprises and associates meet the criteria for independent entities, their income statements are translated using an average exchange rate for the period in question and the balance sheet items are translated using the closing rate. Differences arising from translating the equity of foreign group enterprises at the beginning of the year using the closing rate are recognised directly in equity. This also applies to differences arising from translation of income statements from average exchange rate to closing rate.

When recognising foreign group enterprises which are integral units, the monetary items are translated using the closing rate. Non-monetary items are translated using the exchange rate prevailing at the time of acquisition or at the time of the subsequent revaluation or writedown for impairment of the asset. Income statement items are translated using the exchange rate prevailing at the date of the transaction. However, items in the income statement derived from non-monetary items are translated using historical prices.

Translation adjustment of balances with foreign group enterprises considered part of the total investment in group enterprises are recognised directly in equity. Likewise, foreign exchange gains and losses on loans and derivatives for the currency hedging of independent foreign group enterprises are recognised directly in equity.

Income statement

Gross profit

Gross profit comprises the revenue, changes in inventories of finished goods, and work in progress, work performed for own account and capitalised, other operating income, and external costs.

Revenue is recognised in the income statement if delivery and passing of risk to the buyer have taken place before the end of the year and if the income can be determined reliably and inflow is anticipated. Recognition of revenue is exclusive of VAT and taxes and less any discounts relating directly to sales.

Cost of sales comprises costs concerning purchase of raw materials and consumables less discounts and changes in inventories.

Other operating income comprises items of a secondary nature as regards the principal activities of the enterprise, including profit from the disposal of intangible and tangible assets.

Other external costs comprise costs incurred for distribution, sales, advertising, administration, premises, loss on receivables, and operational leasing costs.

Staff costs

Staff costs include salaries and wages, including holiday allowances, pensions, and other social security costs, etc., for staff members. Staff costs are less government reimbursements.

Depreciation, amortisation, and writedown for impairment

Depreciation, amortisation, and writedown for impairment comprise depreciation on, amortisation of, and writedown for impairment of intangible and tangible assets, respectively.

Financial income and expenses

Financial income and expenses comprise interest, realised and unrealised capital gains and losses concerning financial assets and liabilities, amortisation of financial assets and liabilities, additions and reimbursements under the Danish tax prepayment scheme, etc. Financial income and expenses are recognised in the income statement with the amounts concerning the financial year.

Results from equity investments in group enterprises

After full elimination of intercompany profit or loss less amortised consolidated goodwill, the equity investment in the individual group enterprises are recognised in the income statement as a proportional share of the group enterprises' post-tax profit or loss.

Tax on net profit or loss for the year

Tax for the year comprises the current income tax for the year and changes in deferred tax and is recognised in the income statement with the share attributable to the net profit or loss for the year and directly in equity with the share attributable to entries directly in equity.

The company is subject to Danish rules on compulsory joint taxation of Danish group enterprises.

The current Danish income tax is allocated among the jointly taxed companies proportional to their respective taxable income (full allocation with reimbursement of tax losses).

Statement of financial position

Property, plant, and equipment

Property, plant, and equipment are measured at cost less accrued depreciation and writedown for impairment.

The depreciable amount is cost less any expected residual value after the end of the useful life of the asset. The amortisation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the carrying amount, the depreciation is discontinued.

If the amortisation period or the residual value is changed, the effect on amortisation will, in future, be recognised as a change in the accounting estimates.

The cost comprises acquisition cost and costs directly associated with the acquisition until the time when the asset is ready for use.

The cost of a total asset is divided into separate components. These components are depreciated separately when the useful lives of each individual components differ.

Depreciation is done on a straight-line basis according to an assessment of the expected useful life and the residual value of the individual assets:

	Useful life	Residual value
Plant and machinery	3-10 years	0 %
Other fixtures and fittings, tools and equipment	3-5 years	0 %

Minor assets with an expected useful life of less than 1 year are recognised as costs in the income statement in the year of acquisition.

Profit or loss derived from the disposal of property, land, and equipment is measured as the difference between the sales price less selling costs and the carrying amount at the date of disposal. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

As regards self-constructed assets, the cost comprises direct costs for materials, components, deliveries from subsuppliers, payroll costs, and borrowing costs from specific and general borrowing concerning the construction of each individual asset.

Leases

Leases are regarded as operating leases. Payments in connection with operating leases and other lease agreements are recognised in the income statement for the term of the contract. The company's total liabilities concerning operating leases and lease agreements are recognised under contingencies, etc.

Investments

Equity in group enterprises

Equity in group enterprises recognised in the statement of financial position as a proportional share of the enterprise’s equity value. This is calculated on the basis of the accounting policies of the parent less/plus unrealised intercompany profits and losses, and less/plus residual value of positive or negative goodwill measured by applying the purchase method.

Group enterprises with negative equity are recognised at no value and, to the extent they are considered irrevocable, amounts owed by these companies are made subject to impairment by the parent’s share of the equity. If the negative equity exceeds the receivables, the residual amount is recognised under liability provisions to the extent that the parent has a legal or actual liability to cover the negative equity of these subsidiaries.

To the extent the equity exceeds the cost, the net revaluation of equity investments in group enterprises are transferred to the reserve under equity for net revaluation according to the equity method. Dividends from group enterprises expected to be adopted before the approval of this annual report are not subject to a limitation of the revaluation reserve. The reserve is adjusted by other equity movements in group enterprises.

Newly acquired or newly established companies are recognised in the financial statement as of the time of acquisition. Sold or liquidated companies are recognised until the date of disposal.

Profit or loss in connection with the disposal of group enterprises are measured as the difference between the sales amount and the carrying amount of net assets at the time of sale, inclusive of remaining consolidated goodwill and expected costs of sale or liquidation. Profit and loss are recognised in the income statement under net financials.

For the acquisition of new group enterprises, the purchase method is applied, by which the acquirees' assets and liabilities are measured at fair value at the time of acquisition. Provisions for payment of costs for pre-determined restructuring activities in the acquirees in relation to the acquisition are recognised. The tax effect of revaluations is taken into consideration.

Positive differences (goodwill) between cost and fair value of identifiable acquired assets and liabilities, inclusive of liability provisions for restructuring, are recognised under equity investments in group enterprises and are amortised over their estimated useful economic life. The useful life is determined on the basis of management's experience in the individual business areas. The amortisation period is maximum 20 years, being the longer for strategical acquirees with a strong market position and a longterm earnings potential. The carrying amount of goodwill is subject to impairment tests on a continuing basis and written down in the income statement in those cases when the carrying amount exceeds the expected future net income from the enterprise or the activity to which the goodwill is attached.

Deposits

Deposits are measured at amortised cost and represent lease deposits, etc.

Impairment loss relating to non-current assets

The carrying amount of both intangible and tangible assets as well as equity investments in subsidiaries and associates are subject to annual impairment tests in order to disclose any indications of impairment beyond those expressed by amortisation and depreciation, respectively.

If indications of impairment are disclosed, impairment tests are carried out for each individual asset or group of assets, respectively. Writedown for impairment is done to the recoverable amount if this value is lower than the carrying amount.

The recoverable amount is equal to the value of the net selling price or the value in use, whichever is higher. The value in use is determined as the present value of the expected net cash flow derived from the use of the asset or group of assets.

Previously recognised impairment losses are reversed when conditions for impairment no longer exist. Impairment relating to goodwill is not reversed.

Inventories

Inventories are measured at cost according to the FIFO method. In cases when the net realisable value of the inventories is lower than the cost, the latter is written down for impairment to this lower value.

Costs of goods for resale, raw materials, and consumables comprise acquisition costs plus delivery costs.

Costs of manufactured goods and work in progress comprise the cost of raw materials, consumables, direct wages, and indirect production costs. Indirect production costs comprise indirect materials and wages, maintenance and depreciation of machinery, factory buildings, and equipment used in the production process, and costs for factory administration and factory management. Borrowing expenses are not recognised in cost.

The net realisable value for inventories is recognised as the market price less costs of completion and selling costs. The net realisable value is determined with due consideration of negotiability, obsolescence, and the development of expected market prices.

Receivables

Receivables are measured at amortised cost which usually corresponds to face value. In order to meet expected losses, they are written down for impairment to the net realisable value.

Prepayments and accrued income

Prepayments and accrued income recognised under assets comprise incurred costs concerning the following financial year.

Cash on hand and demand deposits

Cash on hand and demand deposits comprise cash at bank and on hand.

Equity

Reserve for net revaluation according to the equity method

The reserve for net revaluation according to the equity method comprises net revaluation of equity investments in subsidiaries and associates proportional to cost.

The reserve may be eliminated in the event of losses, realisation of equity investments, or changes in the accounting estimates.

The reserve cannot be recognised by a negative amount.

Dividend

Dividend expected to be distributed for the year is recognised as a separate item under equity. Proposed dividend is recognised as a liability at the time of approval by the annual general meeting (time of declaration).

Income tax and deferred tax

Current tax receivables and tax liabilities are recognised in the statement of financial position with the amount calculated on the basis of the expected taxable income for the year adjusted for tax on previous years' taxable income and prepaid taxes. Tax receivables and tax liabilities are offset to the extent that a legal right of set-off exists and the items are expected to be settled net or simultaneously.

According to the rules of joint taxation, Balyfa A/S is unlimitedly, jointly, and severally liable to pay the Danish tax authorities the total income tax, including withholding tax on interest, royalties, and dividends, arising from the jointly taxed group of companies.

Deferred tax is tax on all temporary differences in the carrying amount and tax base of assets and liabilities measured on the basis of the planned application of the asset and disposal of the liability, respectively.

Deferred tax assets, including the tax value of tax losses eligible for carryforward, are recognised at their expected realisable value, either by settlement against tax of future earnings or by setoff in deferred tax liabilities within the same legal tax unit. Any deferred net tax assets are measured at net realisation value.

Deferred tax is measured on the basis of the tax rules and tax rates of applicable legislation at the reporting date and prevailing when the deferred tax is expected to be released as current tax.

Liabilities other than provisions

Other liabilities other than provisions are measured at amortised cost which usually corresponds to the nominal value.

Accruals and deferred income

Payments received concerning future income are recognised under accruals and deferred income.