



M DK Holdings ApS

Balticagade 15 C, 2. tv
8000 Aarhus C
CVR No. 43588753

Annual report 2023

The Annual General Meeting adopted the annual report on 28.06.2024

Morten Nelius Jensen

Chairman of the General Meeting

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Entity details

Entity

M DK Holdings ApS
Balticagade 15 C, 2. tv
8000 Aarhus C

Business Registration No.: 43588753
Registered office: Aarhus
Financial year: 01.01.2023 - 31.12.2023

Executive Board

Aaron David Womack
Jeffrey David Steed

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
City Tower, Værkmestergade 2
8000 Aarhus C

Statement by Management on the annual report

The Executive Board has today considered and approved the annual report of M DK Holdings ApS for the financial year 01.01.2023 - 31.12.2023.

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

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2023 and of the results of their operations for the financial year 01.01.2023 - 31.12.2023.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Aarhus, 28.06.2024

Executive Board

Aaron David Womack

Jeffrey David Steed

Independent auditor's report

To the shareholders of M DK Holdings ApS

Opinion

We have audited the consolidated financial statements and the parent financial statements of M DK Holdings ApS for the financial year 01.01.2023 - 31.12.2023, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2023 and of the results of their operations for the financial year 01.01.2023 - 31.12.2023 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 consolidated financial statements and the parent financial statements" section of this auditor's report. We are independent of the Group 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.

Management's responsibilities for the consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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 consolidated financial statements and parent financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent 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 Group's and the Entity'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 consolidated financial statements and the parent 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 Group's and the Entity'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 consolidated financial statements and the parent 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 Group and the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required by relevant law and regulations.

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements in the relevant law and regulations. We did not identify any material misstatement of the management commentary.

Aarhus, 28.06.2024

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Søren Marquart Alsen

State Authorised Public Accountant
Identification No (MNE) mne40040

Management commentary

Financial highlights

	2023	2022
	DKK'000	DKK'000
Key figures		
Gross profit/loss	55,087	39,969
Operating profit/loss	17,059	7,234
Net financials	(4,409)	99
Profit/loss for the year	5,891	2,262
Profit for the year excl. minority interests	1,790	337
Balance sheet total	191,482	187,650
Investments in property, plant and equipment	434	1,083
Equity	102,520	108,779
Equity excl. minority interests	48,763	46,973
Ratios		
Equity ratio (%)	25.47	25.03

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the CFA Society Denmark.

Equity ratio (%):

Equity excl. minority interests * 100

Balance sheet total

Primary activities

The principal activity of the Group is primarily to operate in trade and in related business and consultancy business.

M DK Holdings ApS' activity consists in investing in Forsco ApS and M DK Operations ApS . In the following, the name Group is used as a general name covering all companies and therefore applies to the Group, M DK Holdings ApS and all underlying subsidiaries.

Development in activities and finances

The Group realized a profit of DKK 5.9 million of which DKK 4.1 million is attributable to minority interests.

Management considers profit for the financial year 2023 satisfactory.

Outlook

Management expects an increase in the activity level for the coming financial year, primarily driven by more sales to existing customers, and sales to new customers. The profit is expected to increase by up to 150% in 2024.

We do not have any significant investments planned for the year of 2024.

Regarding future performance, the development of the USD exchange rate must be taken into account as all trading is done in USD. We do not use future exchange contracts. Exchanges are done when the exchange rate is favorable.

Environmental performance

The Group makes an effort to constantly reduce the environmental impact related to our activities. We have finalised our ESG report, which outlines our sustainability strategy, commitments and clear traceable objectives for every commitment. In the coming years those commitments will be:

1. Continuous improvement of the social and environmental performance of our supply chain
2. Supply long-lasting, circular and certified products that benefits people and planet
3. Reduce our GHG emissions and use of natural resources
4. Build continuous and transparent communication of our achievements and challenges.

For further information please visit www.everrest.dk/our-impact

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Consolidated income statement for 2023

	Notes	2023 DKK	2022 DKK
Gross profit/loss		55,087,273	39,968,594
Staff costs	1	(22,000,243)	(16,771,366)
Depreciation, amortisation and impairment losses	2	(16,027,751)	(15,963,670)
Operating profit/loss		17,059,279	7,233,558
Other financial income	3	1,266,695	2,018,521
Other financial expenses	4	(5,675,588)	(1,919,947)
Profit/loss before tax		12,650,386	7,332,132
Tax on profit/loss for the year	5	(6,758,939)	(5,070,133)
Profit/loss for the year		5,891,447	2,261,999
Proposed distribution of profit and loss			
Retained earnings		1,789,730	337,372
Minority interests' share of profit/loss		4,101,717	1,924,627
Proposed distribution of profit and loss		5,891,447	2,261,999

Consolidated balance sheet at 31.12.2023

Assets

	Notes	2023 DKK	2022 DKK
Acquired intangible assets		596,640	1,064,288
Goodwill		108,267,365	125,663,443
Prepayments for intangible assets		0	58,208
Intangible assets	6	108,864,005	126,785,939
Other fixtures and fittings, tools and equipment		478,926	243,134
Property, plant and equipment	7	478,926	243,134
Deposits		617,843	446,535
Financial assets	8	617,843	446,535
Fixed assets		109,960,774	127,475,608
Manufactured goods and goods for resale		2,739,795	4,355,587
Inventories		2,739,795	4,355,587
Trade receivables		40,523,618	27,163,280
Receivables from group enterprises		7,736,849	4,183,320
Deferred tax		34,300	5,200
Other receivables		185,869	1,289,524
Joint taxation contribution receivable		890,912	869,932
Prepayments		172,898	138,940
Receivables		49,544,446	33,650,196
Cash		29,236,913	22,168,253
Current assets		81,521,154	60,174,036
Assets		191,481,928	187,649,644

Equity and liabilities

	Notes	2023 DKK	2022 DKK
Contributed capital		50,000	50,000
Retained earnings		48,712,598	46,922,868
Equity belonging to Parent's shareholders		48,762,598	46,972,868
Equity belonging to minority interests		53,757,796	61,806,079
Equity		102,520,394	108,778,947
Deferred tax		24,200	36,300
Provisions		24,200	36,300
Bank loans		14,858,359	22,229,250
Non-current liabilities other than provisions	9	14,858,359	22,229,250
Current portion of non-current liabilities other than provisions	9	7,851,138	7,758,240
Trade payables		54,342,186	33,056,943
Payables to group enterprises		0	1,324,898
Payables to associates		0	5,942,313
Tax payable		6,351,979	5,580,859
Other payables		5,533,672	2,941,894
Current liabilities other than provisions		74,078,975	56,605,147
Liabilities other than provisions		88,937,334	78,834,397
Equity and liabilities		191,481,928	187,649,644
Assets charged and collateral	10		
Subsidiaries	11		

Consolidated statement of changes in equity for 2023

	Contributed capital DKK	Retained earnings DKK	Equity belonging to Parent's shareholders DKK	Equity belonging to minority interests DKK	Total DKK
Equity beginning of year	50,000	46,922,868	46,972,868	61,806,079	108,778,947
Extraordinary dividend paid	0	0	0	(12,150,000)	(12,150,000)
Profit/loss for the year	0	1,789,730	1,789,730	4,101,717	5,891,447
Equity end of year	50,000	48,712,598	48,762,598	53,757,796	102,520,394

Notes to consolidated financial statements

1 Staff costs

	2023	2022
	DKK	DKK
Wages and salaries	20,034,291	15,267,572
Pension costs	764,628	558,658
Other social security costs	326,235	341,413
Other staff costs	875,089	603,723
	22,000,243	16,771,366
Average number of full-time employees	20	19

2 Depreciation, amortisation and impairment losses

	2023	2022
	DKK	DKK
Amortisation of intangible assets	15,830,039	15,750,479
Depreciation on property, plant and equipment	197,712	213,191
	16,027,751	15,963,670

3 Other financial income

	2023	2022
	DKK	DKK
Financial income from group enterprises	486,927	292,728
Other interest income	686,557	85,578
Exchange rate adjustments	93,211	1,640,215
	1,266,695	2,018,521

4 Other financial expenses

	2023	2022
	DKK	DKK
Financial expenses from group enterprises	48,948	49,657
Financial expenses from associates	7,746	321,530
Other interest expenses	2,112,916	1,462,506
Exchange rate adjustments	3,505,978	86,254
	5,675,588	1,919,947

5 Tax on profit/loss for the year

	2023	2022
	DKK	DKK
Current tax	6,818,196	5,076,632
Change in deferred tax	(41,200)	(6,499)
Adjustment concerning previous years	(18,057)	0
	6,758,939	5,070,133

6 Intangible assets

	Acquired intangible assets DKK	Goodwill DKK	Prepayments for intangible assets DKK
Cost beginning of year	2,117,643	154,953,573	58,208
Transfers	58,208	0	(58,208)
Additions	22,376	0	0
Disposals	0	(2,135,505)	0
Cost end of year	2,198,227	152,818,068	0
Amortisation and impairment losses beginning of year	(1,053,355)	(29,290,130)	0
Transfers	0	21,234	0
Amortisation for the year	(548,232)	(15,281,807)	0
Amortisation and impairment losses end of year	(1,601,587)	(44,550,703)	0
Carrying amount end of year	596,640	108,267,365	0

7 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK
Cost beginning of year	1,083,483
Additions	433,504
Cost end of year	1,516,987
Depreciation and impairment losses beginning of year	(840,349)
Depreciation for the year	(197,712)
Depreciation and impairment losses end of year	(1,038,061)
Carrying amount end of year	478,926

8 Financial assets

	Deposits DKK
Cost beginning of year	446,535
Additions	171,308
Cost end of year	617,843
Carrying amount end of year	617,843

9 Non-current liabilities other than provisions

	Due within 12 months 2023 DKK	Due within 12 months 2022 DKK	Due after more than 12 months 2023 DKK
Bank loans	7,851,138	7,758,240	14,858,359
	7,851,138	7,758,240	14,858,359

10 Assets charged and collateral

As security for bank commitments the company has provided a floating charge of DKK 1 million.

Bank loans are secured by shares in Forsco ApS.

11 Subsidiaries

	Registered in	Ownership %
Forsco ApS	Denmark	55.00
M DK Operations ApS	Denmark	100.00
Shanghai EverRest Furniture Limited Company	China	100.00

Parent income statement for 2023

	Notes	2023 DKK	2022 DKK
Gross profit/loss		443,384	(1,067,213)
Staff costs	1	(722,584)	0
Operating profit/loss		(279,200)	(1,067,213)
Income from investments in group enterprises		3,457,372	2,154,390
Other financial income	2	95,163	267,191
Other financial expenses	3	(1,944,016)	(1,466,517)
Profit/loss before tax		1,329,319	(112,149)
Tax on profit/loss for the year	4	460,411	449,521
Profit/loss for the year		1,789,730	337,372
Proposed distribution of profit and loss			
Retained earnings		1,789,730	337,372
Proposed distribution of profit and loss		1,789,730	337,372

Parent balance sheet at 31.12.2023

Assets

	Notes	2023 DKK	2022 DKK
Investments in group enterprises		69,608,621	76,001,249
Deposits		0	75,000
Financial assets	5	69,608,621	76,076,249
Fixed assets		69,608,621	76,076,249
Receivables from group enterprises		275,612	1,012,361
Deferred tax		5,200	5,200
Other receivables		0	151,215
Joint taxation contribution receivable		442,354	869,932
Receivables		723,166	2,038,708
Cash		1,631,381	954,806
Current assets		2,354,547	2,993,514
Assets		71,963,168	79,069,763

Equity and liabilities

	Notes	2023 DKK	2022 DKK
Contributed capital		50,000	50,000
Retained earnings		48,712,598	46,922,868
Equity		48,762,598	46,972,868
Bank loans		14,858,358	22,229,251
Non-current liabilities other than provisions	6	14,858,358	22,229,251
Current portion of non-current liabilities other than provisions	6	7,851,138	7,758,240
Trade payables		28,194	176,200
Payables to group enterprises		43,500	1,811,048
Other payables		419,380	122,156
Current liabilities other than provisions		8,342,212	9,867,644
Liabilities other than provisions		23,200,570	32,096,895
Equity and liabilities		71,963,168	79,069,763
Contingent liabilities	7		
Assets charged and collateral	8		

Parent statement of changes in equity for 2023

	Contributed capital DKK	Retained earnings DKK	Total DKK
Equity beginning of year	50,000	46,922,868	46,972,868
Profit/loss for the year	0	1,789,730	1,789,730
Equity end of year	50,000	48,712,598	48,762,598

Notes to parent financial statements

1 Staff costs

	2023	2022
	DKK	DKK
Wages and salaries	664,453	0
Pension costs	53,622	0
Other social security costs	4,317	0
Other staff costs	192	0
	722,584	0
Average number of full-time employees	2	0

2 Other financial income

	2023	2022
	DKK	DKK
Financial income from group enterprises	33,117	20,536
Other interest income	23,396	1,153
Exchange rate adjustments	0	245,502
Interest income from tax paid on account	38,650	0
	95,163	267,191

3 Other financial expenses

	2023	2022
	DKK	DKK
Financial expenses from group enterprises	48,948	49,657
Other interest expenses	1,824,026	1,250,263
Exchange rate adjustments	71,042	166,597
	1,944,016	1,466,517

4 Tax on profit/loss for the year

	2023	2022
	DKK	DKK
Current tax	(442,354)	(449,570)
Change in deferred tax	0	49
Adjustment concerning previous years	(18,057)	0
	(460,411)	(449,521)

5 Financial assets

	Investments in group enterprises DKK
Addition through business combinations etc	81,854,800
Additions	5,000,000
Cost end of year	86,854,800
Addition through business combinations etc	(5,853,551)
Amortisation of goodwill	(8,404,992)
Share of profit/loss for the year	11,862,364
Dividend	(14,850,000)
Revaluations end of year	(17,246,179)
Carrying amount end of year	69,608,621

A specification of investments in subsidiaries is evident from the notes to the consolidated financial statements.

6 Non-current liabilities other than provisions

	Due within 12 months 2023 DKK	Due within 12 months 2022 DKK	Due after more than 12 months 2023 DKK
Bank loans	7,851,138	7,758,240	14,858,358
	7,851,138	7,758,240	14,858,358

7 Contingent liabilities

The Entity serves as the administration company in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc. for the jointly taxed entities, and also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for these entities.

8 Assets charged and collateral

Bank loans are secured by shares in Forsco ApS.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of a few provisions for reporting class C.

The accounting policies applied to these consolidated financial statements and parent financial statements are consistent with those applied last year.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Consolidated financial statements

The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence. Enterprises in which the Group, directly or indirectly, holds between 20% and 50% of the voting rights and exercises significant, but not controlling, influence are regarded as associates.

Basis of consolidation

The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements. Minority interests' pro rata shares of the profit/loss and the net assets are disclosed as separate items in Management's proposal for the distribution of net profit/loss and equity, respectively.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the acquisition

date, with net assets having been calculated at fair value.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, other operating income, costs of raw materials and consumables and external expenses.

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities, including profit from the sale of intangible assets and property, plant and equipment, and salary refunds.

Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for normal inventory writedowns.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Property costs

Property costs include costs incurred to operate the Entity's properties in the financial year, including repair and maintenance costs, property tax and electricity, water and heating, which are not charged directly from the lessee.

Staff costs

Staff costs comprise wages and salaries, and social security contributions, pension contributions, etc. for entity staff.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, and gains and losses from the sale of intangible assets and property, plant and equipment.

Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of intra-group profits or losses.

Other financial income

Other financial income comprises interest income, including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets, and tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities, and tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Balance sheet**Goodwill**

Goodwill is the positive difference between cost and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. It has not been possible to estimate useful life reliably, for which reason such useful life has been set at 10 years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

Intellectual property rights etc.

Intellectual property rights etc. comprise progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised on a straight-line basis over their remaining duration, and licences are amortised on a straight-line basis over the term of the agreement.

Intellectual property rights etc. are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

Plant and machinery and other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

	Useful life
Other fixtures and fittings, tools and equipment	3-5 years

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Investments in group enterprises

Investments in group enterprises are recognised and measured in the parent financial statements according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus unamortised goodwill and plus or minus unrealised intra-group profits or losses. Reference is made to the above section on business combinations for more details about the accounting policies applied to acquisitions of investments in group enterprises.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to the reserve for net revaluation according to the equity method in equity.

Goodwill is the difference between cost of investments and fair value of the pro rata share of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. It has not been possible to estimate useful life reliably, for which reason such useful life has been set at 10 years.

Inventories

Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Cost consists of purchase price plus delivery costs.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value, less writedowns for bad and doubtful debts.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Joint taxation contributions payable or receivable

Current joint taxation contributions payable or receivable are recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax. For tax losses, joint taxation contributions receivable are only recognised if such losses are expected to be used under the joint taxation arrangement.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

Minority interests

On initial recognition, minority interests are measured at the minority interests' share of the acquiree's net assets measured at fair value. No goodwill related to the minority interests' equity interests in the acquiree is recognised.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Tax payable or receivable

Current tax payable or receivable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.