

Grohe A/S
Sluseholmen 8 C, 2. th.
2450 Copenhagen SV
Central Business Registration No
52503310

Annual report 2019/20

The Annual General Meeting adopted the annual report on 03.07.2020

Chairman of the General Meeting

Name: Lars Tinneberg Pedersen

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Entity details

Entity

Grohe A/S
Sluseholmen 8 C, 2. th.
2450 Copenhagen SV

Central Business Registration No: 52503310
Registered in: Copenhagen
Financial year: 01.04.2019 - 31.03.2020

Board of Directors

Per Olof Jonas Persson Brennwald, Chairman
Peter Juul
Lars Tinneberg Pedersen

Executive Board

Peter Juul, Chief Executive Officer

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
P.O. Box 1600
0900 Copenhagen C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Grohe A/S for the financial year 01.04.2019 - 31.03.2020.

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 Entity's financial position at 31.03.2020 and of the results of its operations for the financial year 01.04.2019 - 31.03.2020.

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.

Copenhagen, 03.07.2020

Executive Board

Peter Juul
Chief Executive Officer

Board of Directors

Per Olof Jonas Persson
Brennwald
Chairman

Peter Juul

Lars Tinneberg Pedersen

Independent auditor's report

To the shareholders of Grohe A/S

Opinion

We have audited the financial statements of Grohe A/S for the financial year 01.04.2019 - 31.03.2020, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of 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 Entity's financial position at 31.03.2020 and of the results of its operations for the financial year 01.04.2019 - 31.03.2020 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 financial statements section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) 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.

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 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 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 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 judgement and maintain professional scepticism throughout the audit. We also:

Independent auditor's report

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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 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 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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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.

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 do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the 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 under the Danish Financial Statements Act.

Independent auditor's report

Based on the work we have performed, we conclude that the management commentary 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 commentary.

Copenhagen, 03.07.2020

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556

Jens Jørgensen Baes
State Authorised Public Accountant
Identification number (MNE) mne14956

Jan Larsen
State Authorised Public Accountant
Identification number (MNE) mne16541

Management commentary

| | 2019/20 | 2018/19 | 2017/18 | 2016/17 | 2015/16 |
|---|----------------|----------------|----------------|----------------|----------------|
| | DKK'000 | DKK'000 | DKK'000 | DKK'000 | DKK'000 |
| Financial highlights | | | | | |
| Key figures | | | | | |
| Revenue | 429.307 | 435.781 | 404.872 | 324.275 | 76.311 |
| Gross profit/loss | 137.365 | 137.361 | 126.477 | 104.977 | 24.266 |
| Operating profit/loss | 16.830 | 17.151 | 15.695 | 11.975 | 5.473 |
| Net financials | (3.910) | (1.431) | (3.522) | (1.597) | (316) |
| Profit/loss for the year | 9.552 | 12.130 | 10.300 | 7.470 | 4.051 |
| Total assets | 152.790 | 162.866 | 121.260 | 108.635 | 88.129 |
| Investments in property, plant and equipment | 4.699 | 6.465 | 4.539 | 6.709 | 1.757 |
| Equity | 33.237 | 30.361 | 25.609 | 21.632 | 18.803 |
| Ratios | | | | | |
| Gross margin (%) | 32,0 | 31,5 | 31,2 | 32,4 | 31,8 |
| Net margin (%) | 2,2 | 2,8 | 2,5 | 2,3 | 5,3 |
| Return on equity (%) | 30,0 | 43,3 | 43,6 | 36,9 | 24,1 |
| Solvency ratio (%) | 18,6 | 21,1 | 19,9 | 21,3 | 16,3 |

The income statement key figures for 2016 only include three months. Consequently, the key figures for 2016 are not comparable with other financial years that include operations for 12 months.

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

| Ratios | Calculation formula | Ratios |
|----------------------|--|--|
| Gross margin (%) | $\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$ | The entity's operating gearing. |
| Net margin (%) | $\frac{\text{Profit/loss for the year} \times 100}{\text{Revenue}}$ | The entity's operating profitability. |
| Return on equity (%) | $\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$ | The entity's return on capital invested in the entity by the owners. |
| Solvency ratio (%) | $\frac{\text{Equity} \times 100}{\text{Total assets}}$ | The financial strength of the entity. |

Management commentary

Primary activities

The object of Grohe A/S is to sell and market sanitary fittings and accessories domestically and abroad as well as related activities.

For 20 years, Grohe A/S has operated as the Scandinavian center of excellence in charge of the markets in Denmark, Norway, Sweden, Finland & Iceland in the areas of management, economics, marketing, logistics and service.

Development in activities and finances

In 2019, the Company's revenue was DKK 429,307 thousand against DKK 435,781 thousand the year before. The lower turnover is driven only by significant depreciation of the NOK & SEK in 2019 and excluding the currency effect the Company is still gaining market shares. The income statement for 2019 shows a profit of DKK 9,552 thousand against a profit of DKK 12,130 thousand in 2018/19, which is considered satisfactory due to the currency fluctuation. The balance sheet shows equity of DKK 33,237 thousand at 31.03.2020. According to the annual report for 2018/19, Management forecasted a profit before tax at the level of DKK 15-18 million.

Outlook

Profit before tax for 2020/21 is expected to reach a level of DKK 10-15 million.

Particular risks

The Company's activities are not associated with any particular risks in the industry.

Intellectual capital resources

The Company's long-standing activities on the market for sales and marketing of sanitary fittings have built skilled and experienced members of staff.

Environmental performance

The Company's impact on the external environment is considered limited.

Foreign branches

The Company has established branches in Norway and Sweden and has a permanent establishment in Finland.

Events after the balance sheet date

No events have occurred after the balance sheet to this date which would influence the evaluation of this annual report. The spread of COVID-19 virus did not substantially affect the Company's activities so far.

Income statement for 2019/20

| | <u>Notes</u> | <u>2019/20</u> <u>DKK</u> | <u>2018/19</u> <u>DKK</u> |
|---------------------------------|--------------|------------------------------|------------------------------|
| Revenue | | 429.307.062 | 435.780.998 |
| Cost of sales | | <u>(291.941.768)</u> | <u>(298.420.144)</u> |
| Gross profit/loss | | 137.365.294 | 137.360.854 |
| Distribution costs | 1 | (84.634.625) | (83.904.099) |
| Administrative costs | 1 | <u>(35.900.370)</u> | <u>(36.306.254)</u> |
| Operating profit/loss | | 16.830.299 | 17.150.501 |
| Other financial income | 2 | 1.602.144 | 2.869.971 |
| Other financial expenses | 3 | <u>(5.511.703)</u> | <u>(4.300.780)</u> |
| Profit/loss before tax | | 12.920.740 | 15.719.692 |
| Tax on profit/loss for the year | 4 | <u>(3.369.088)</u> | <u>(3.589.616)</u> |
| Profit/loss for the year | 5 | <u>9.551.652</u> | <u>12.130.076</u> |

Balance sheet at 31.03.2020

| | <u>Notes</u> | <u>2019/20</u> <u>DKK</u> | <u>2018/19</u> <u>DKK</u> |
|--|--------------|------------------------------|------------------------------|
| Other fixtures and fittings, tools and equipment | | 10.023.052 | 12.785.065 |
| Property, plant and equipment | 6 | 10.023.052 | 12.785.065 |
| Fixed assets | | 10.023.052 | 12.785.065 |
| Manufactured goods and goods for resale | | 8.018.999 | 6.388.865 |
| Inventories | | 8.018.999 | 6.388.865 |
| Trade receivables | | 111.541.492 | 130.742.102 |
| Receivables from group enterprises | | 859.193 | 1.366.052 |
| Deferred tax | 7 | 628.909 | 979.972 |
| Other receivables | | 1.001.423 | 1.103.502 |
| Income tax receivable | | 223.386 | 0 |
| Prepayments | 8 | 1.148.763 | 1.733.697 |
| Receivables | | 115.403.166 | 135.925.325 |
| Cash | | 19.344.301 | 7.766.998 |
| Current assets | | 142.766.466 | 150.081.188 |
| Assets | | 152.789.518 | 162.866.253 |

Balance sheet at 31.03.2020

| | <u>Notes</u> | <u>2019/20</u> <u>DKK</u> | <u>2018/19</u> <u>DKK</u> |
|--|--------------|------------------------------|------------------------------|
| Contributed capital | 9 | 2.500.000 | 2.500.000 |
| Retained earnings | | 30.737.006 | 20.361.173 |
| Proposed dividend | | <u>0</u> | <u>7.500.000</u> |
| Equity | | <u>33.237.006</u> | <u>30.361.173</u> |
| | | | |
| Trade payables | | 8.344.102 | 10.502.868 |
| Payables to group enterprises | | 39.475.900 | 52.212.087 |
| Income tax payable | | 0 | 1.998.036 |
| Other payables | 10 | <u>71.732.510</u> | <u>67.792.089</u> |
| Current liabilities other than provisions | | <u>119.552.512</u> | <u>132.505.080</u> |
| | | | |
| Liabilities other than provisions | | <u>119.552.512</u> | <u>132.505.080</u> |
| | | | |
| Equity and liabilities | | <u>152.789.518</u> | <u>162.866.253</u> |
| | | | |
| Unrecognised rental and lease commitments | 11 | | |
| Related parties with controlling interest | 12 | | |
| Transactions with related parties | 13 | | |
| Group relations | 14 | | |

Statement of changes in equity for 2019/20

| | Contributed capital DKK | Retained earnings DKK | Proposed dividend DKK | Total DKK |
|-------------------------------|--|--------------------------------------|--------------------------------------|----------------------|
| Equity beginning of year | 2.500.000 | 20.361.173 | 7.500.000 | 30.361.173 |
| Ordinary dividend paid | 0 | 0 | (7.500.000) | (7.500.000) |
| Exchange rate adjustments | 0 | 824.181 | 0 | 824.181 |
| Profit/loss for the year | 0 | 9.551.652 | 0 | 9.551.652 |
| Equity end of year | 2.500.000 | 30.737.006 | 0 | 33.237.006 |

Notes

| | 2019/20 | 2018/19 |
|-----------------------------|-------------------|-------------------|
| | DKK | DKK |
| 1. Staff costs | | |
| Wages and salaries | 52.124.455 | 46.754.385 |
| Pension costs | 7.030.098 | 7.972.368 |
| Other social security costs | 2.730.779 | 2.942.640 |
| Other staff costs | 803.986 | 870.574 |
| | 62.689.318 | 58.539.967 |
| | | |
| Average number of employees | 93 | 92 |

According to section 98b(3)(2) of the Danish Financial Statements Act, remuneration to Management is not disclosed.

| | 2019/20 | 2018/19 |
|----------------------------------|------------------|------------------|
| | DKK | DKK |
| 2. Other financial income | | |
| Interest income | 6.688 | 0 |
| Exchange rate adjustments | 1.595.456 | 2.869.971 |
| | 1.602.144 | 2.869.971 |

| | 2019/20 | 2018/19 |
|------------------------------------|------------------|------------------|
| | DKK | DKK |
| 3. Other financial expenses | | |
| Interest expenses | 239.686 | 223.303 |
| Exchange rate adjustments | 5.044.105 | 3.849.855 |
| Other financial expenses | 227.912 | 227.622 |
| | 5.511.703 | 4.300.780 |

| | 2019/20 | 2018/19 |
|---|------------------|------------------|
| | DKK | DKK |
| 4. Tax on profit/loss for the year | | |
| Tax on current year taxable income | 3.074.928 | 3.420.532 |
| Change in deferred tax for the year | 246.819 | 170.740 |
| Adjustment concerning previous years | 47.341 | (1.656) |
| | 3.369.088 | 3.589.616 |

Notes

| | 2019/20 | 2018/19 |
|---|------------------|---------------------|
| | DKK | DKK |
| 5. Proposed distribution of profit/loss | | |
| Ordinary dividend for the financial year | 0 | 7.500.000 |
| Extraordinary dividend distributed in the financial year | 0 | 7.500.000 |
| Retained earnings | 9.551.652 | (2.869.924) |
| | 9.551.652 | 12.130.076 |
| | | Other |
| | | fixtures and |
| | | fittings, |
| | | tools and |
| | | equipment |
| | | DKK |
| 6. Property, plant and equipment | | |
| Cost beginning of year | | 21.817.246 |
| Exchange rate adjustments | | (698.164) |
| Additions | | 4.698.556 |
| Disposals | | (8.662.510) |
| Cost end of year | | 17.155.128 |
| Depreciation and impairment losses beginning of the year | | (9.032.181) |
| Exchange rate adjustments | | 267.076 |
| Depreciation for the year | | (4.567.152) |
| Reversal regarding disposals | | 6.200.181 |
| Depreciation and impairment losses end of the year | | (7.132.076) |
| Carrying amount end of year | | 10.023.052 |

Notes

| | 2019/20 | 2018/19 |
|-----------------------------------|----------------|----------------|
| | DKK | DKK |
| 7. Deferred tax | | |
| Property, plant and equipment | 562.909 | 351.125 |
| Liabilities other than provisions | 66.000 | 66.000 |
| Tax losses carried forward | 0 | 562.847 |
| | 628.909 | 979.972 |

Changes during the year

| | |
|------------------------------------|----------------|
| Beginning of year | 979.972 |
| Recognised in the income statement | (246.819) |
| Recognised directly in equity | (104.244) |
| End of year | 628.909 |

8. Prepayments

Prepayments include accrual of expenses relating to subsequent financial years.

| | Number | Par value | Nominal |
|-------------------------------|---------------|------------------|------------------|
| | | DKK | value |
| | | | DKK |
| 9. Contributed capital | | | |
| Shares | 100 | 10.000 | 1.000.000 |
| Shares | 4 | 50.000 | 200.000 |
| Shares | 2 | 100.000 | 200.000 |
| Shares | 3 | 200.000 | 600.000 |
| Shares | 100 | 5.000 | 500.000 |
| | 209 | | 2.500.000 |

| | 2019/20 | 2018/19 |
|---|-------------------|-------------------|
| | DKK | DKK |
| 10. Other payables | | |
| VAT and duties | 16.331.023 | 15.085.534 |
| Wages and salaries, personal income taxes, social security costs, etc payable | 1.145.728 | 1.197.462 |
| Holiday pay obligation | 8.390.737 | 8.190.477 |
| Other costs payable | 45.865.022 | 43.318.616 |
| | 71.732.510 | 67.792.089 |

Notes

| | 2019/20 | 2018/19 |
|---|-------------------------|--------------------------|
| | DKK | DKK |
| 11. Unrecognised rental and lease commitments | | |
| Hereof liabilities under rental or lease agreements until maturity in total | <u>9.019.282</u> | <u>12.827.889</u> |

12. Related parties with controlling interest

Grohe International GmbH, Germany

13. Transactions with related parties

No transactions with related parties were made in the financial year 2019/20, which were not made on an arm's length basis.

14. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:

LIXIL Corporation, 36F, Kasumigaseki Building, 3-2-5 Kasumigaseki, Chiyoda-ku, 100-6036 Tokyo, Japan

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:

Grohe International GmbH, Feldmühleplatz 15, 40545 Düsseldorf, Germany

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

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

The financial statements are presented in DKK.

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.

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 one 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.

When recognising foreign branches that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date. Exchange differences arising out of the translation of foreign branches' equity at the beginning of the year at the balance sheet date exchange rates as well as out of the translation of income statements from average rates to the exchange rates at the balance sheet date are classified directly as equity.

When recognising foreign branches that are integral entities, monetary assets and liabilities are translated using the exchange rates at the balance sheet date. Non-monetary assets and liabilities are translated at the

Accounting policies

exchange rate at the time of acquisition or the time of any subsequent revaluation or write-down. The items of the income statement are translated at the average rates of the months; however, items deriving from non-monetary assets and liabilities are translated using the historical rates applicable to the relevant non-monetary items.

Income statement

Revenue

Revenue from the sale of goods 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.

Cost of sales

Cost of sales comprises cost of sales for the financial year measured at cost, adjusted for ordinary inventory write-downs.

Distribution costs

Distribution costs comprise costs incurred for sale and distribution of the Entity's products, including wages and salaries for sales staff, advertising costs, travelling and entertainment expenses, etc as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment attached to the distribution process.

Administrative costs

Administrative expenses comprise expenses incurred for the Entity's administrative functions, including wages and salaries for administrative staff and Management, stationery and office supplies as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment used for administration of the Entity.

Other financial income

Other financial income comprises interest income, net capital gains on securities, payables and transactions in foreign currencies as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, net capital losses on securities, payables and transactions in foreign currencies as well as 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

Property, plant and equipment

Other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Accounting policies

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:

Other fixtures and fittings, tools and equipment 3-10 years

Estimated useful lives and residual values are reassessed annually.

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

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 write-downs for bad and doubtful debts.

Deferred tax

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

Income tax payable or receivable

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

Prepayments

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

Cash

Cash comprises cash in hand and bank deposits.

Accounting policies

Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting. The proposed dividend for the financial year is disclosed as a separate item in equity.

Operating leases

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

Other financial liabilities

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

Cash flow statement

Referring to section 86(4) of the Danish Financial Statements Act, the Company has not prepared any cash flow statement as such statement is prepared by the Parent.