SKAKO Vibration Holding A/S

Bygmestervej 2
5600 Faaborg
CVR No. 64427512

Annual report 2023

The Annual General Meeting adopted the annual report on 29.06.2024

Thomas Pedersen
Chairman of the General Meeting

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Entity details

Entity

SKAKO Vibration Holding A/S
Bygmestervej 2
5600 Faaborg

Business Registration No.: 64427512
Registered office: Faaborg-midtfyn
Financial year: 01.01.2023 - 31.12.2023
Phone number: +45 63616100
E-mail: skako.dk@skako.com

Board of Directors

Jens Wittrup Willumsen
Christian Herskind Jørgensen
Sophie Louise Knauer
Carsten Krogsgaard Thomsen

Executive Board

Lionel Robert Girieud

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Munkebjergvænget 1, 3. og 4. sal
5230 Odense M
CVR No.: 33771231

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of SKAKO Vibration Holding A/S 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 financial statements give a true and fair view of the Entity's financial position at 31.12.2023 and of the results of its 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.

Faaborg, 29.06.2024

Executive Board

Lionel Robert Girieud

Board of Directors

Jens Wittrup Willumsen **Christian Herskind Jørgensen**

Sophie Louise Knauer **Carsten Krogsgaard Thomsen**

Independent auditor's report

To the shareholders of SKAKO Vibration Holding A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2023, and of the results of the Company's operations for the financial year 1 January - 31 December 2023 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of SKAKO Vibration Holding A/S for the financial year 1 January - 31 December 2023, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("financial statements").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the financial statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.
Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's responsibilities for the financial statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

  We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Odense, 29.06.2024

PricewaterhouseCoopers
CVR No. 33771231

Mikael Johansen
State Authorised Public Accountant
Identification No (MNE) mne23318

Management commentary

Financial highlights

	2023 DKK'000	2022 DKK'000	2021 DKK'000	2020 DKK'000	2019 DKK'000
Key figures					
Revenue	0	159,741	127,071	137,058	150,861
Gross profit/loss	0	28,301	24,022	15,895	19,018
Operating profit/loss	0	8,847	5,382	3,890	(1,010)
Net financials	0	(2,162)	(914)	(1,899)	(1,402)
Profit/loss for the year	85,917	22,576	10,675	10,812	13,699
Total assets	241,047	279,906	227,088	205,522	199,793
Equity	181,445	170,527	146,080	134,667	125,154
Investment in tangible assets	2,507	2,151	987	1,272	1,399
Average number of employees	63	70	66	68	78
Ratios					
Gross margin (%)	0.00	17.72	18.90	11.60	12.61
EBIT margin (%)	0.00	5.54	4.24	2.84	(0.67)
Return on assets (%)	0.00	3.49	2.49	1.92	(0.50)
Net margin (%)	Invalid equation	14.13	8.40	7.89	9.08
Return on equity (%)	48.82	14.26	7.60	8.32	11.60
Equity ratio (%)	75.27	60.92	64.33	65.52	62.64

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

Gross margin (%):
Gross profit/loss * 100
Revenue

EBIT margin (%):
Operating profit/loss * 100
Revenue

Return on Asstes (%):
Profit before financials * 100
Average total assets

Net margin (%):
Profit/loss for the year * 100
Revenue

Return on equity (%):
Profit/loss for the year * 100
Average equity

Equity ratio (%):
Equity * 100
Total assets

Primary activities

The company's purpose is to own shares/proportions in subsidiaries, asset management and related businesses.

Development in activities and finances

The Company’s total revenue amounted to 0 in 2023 (2022: DKK 159.7m) and the EBIT result amounted to DKK 0 (2022: DKK 8.8m).

Profit for the year amounts to DKK 85,9 m.

Total equity amounted to DKK 181.4m (2022: DKK 170.5m) and total assets was DKK 241.0m.

Profit/loss for the year in relation to expected developments

The company's total revenue amounted to 0 in 2023.

EBIT result amounted to DKK 0.

Profit for the year amounted to DKK 85.9m, which is higher than the expected.

Uncertainty relating to recognition and measurement

There have been no material uncertainties or other significant unusual circumstances affecting recognition.

Outlook

The company expects a positive result befora tax in 2024.

Statutory report on data ethics policy

SKAKO has established a data ethics policy. The statutory report on data ethics policy is included in the Annual Report for SKAKO Group.

Events after the balance sheet date

There have been no events that materially affect the assessment of this Annual Report 2023 after the balance sheet date and up to today.

Income statement for 2023

	Notes	2023 DKK	2022 DKK
Revenue		0	159,741,104
Production costs		0	(131,440,323)
Gross profit/loss		**0**	**28,300,781**
Distribution costs		0	(11,611,038)
Administrative expenses		0	(7,930,915)
Other operating income		0	88,332
Operating profit/loss		**0**	**8,847,160**
Income from investments in group enterprises		26,911,619	16,417,791
Other financial income from group enterprises		0	579,440
Other financial income		0	174,600
Financial expenses from group enterprises		0	(614,235)
Other financial expenses		0	(2,301,818)
Profit/loss before tax		**26,911,619**	**23,102,938**
Tax on profit/loss for the year	3	(527,000)	(527,327)
Profit/loss from continuing operations		**26,384,619**	**22,575,611**
Profit/loss from discontinued operations	4	**59,532,203**	**0**
Profit/loss for the year	5	**85,916,822**	**22,575,611**

Balance sheet at 31.12.2023

Assets

	Notes	2023 DKK	2022 DKK
Completed development projects	7	0	49,282
Acquired intangible assets		0	11,616,641
Development projects in progress	7	0	2,316,594
Intangible assets	6	**0**	**13,982,517**
Land and buildings		0	3,306,115
Plant and machinery		0	207,236
Other fixtures and fittings, tools and equipment		0	1,521,300
Leasehold improvements		1,416,166	1,947,243
Property, plant and equipment	8	**1,416,166**	**6,981,894**
Investments in group enterprises		148,237,858	134,114,230
Deposits		0	574,841
Deferred tax	10	0	9,740,905
Financial assets	9	**148,237,858**	**144,429,976**
Fixed assets		**149,654,024**	**165,394,387**
Raw materials and consumables		0	7,705,302
Work in progress		0	455,860
Manufactured goods and goods for resale		0	30,365,352
Inventories		**0**	**38,526,514**
Trade receivables		0	25,472,641
Contract work in progress	11	0	2,458,217
Receivables from group enterprises		15,070,000	43,668,224
Other receivables		647,000	2,598,153
Prepayments	12	0	1,787,859
Receivables		**15,717,000**	**75,985,094**
Other investments		1,764,451	0
Other investments		**1,764,451**	**0**

Cash	**73,911,383**	**0**
Current assets	**91,392,834**	**114,511,608**
Assets	**241,046,858**	**279,905,995**

Equity and liabilities

	Notes	2023 DKK	2022 DKK
Contributed capital	13	5,920,400	80,920,400
Reserve for net revaluation according to the equity method		16,423,010	79,091,898
Reserve for development expenditure		0	7,270,952
Retained earnings		159,101,448	3,243,391
Equity		**181,444,858**	**170,526,641**
Deferred tax	10	589,000	0
Other provisions	14	0	1,565,929
Provisions		**589,000**	**1,565,929**
Lease liabilities		0	372,541
Other payables		0	4,620,326
Non-current liabilities other than provisions		**0**	**4,992,867**
Current portion of non-current liabilities other than provisions		0	1,472,328
Contract work in progress	11	0	34,719,904
Trade payables		14,774,000	17,066,870
Payables to group enterprises		26,813,000	43,415,639
Tax payable		8,262,000	0
Other payables		9,164,000	6,145,817
Current liabilities other than provisions		**59,013,000**	**102,820,558**
Liabilities other than provisions		**59,013,000**	**107,813,425**
Equity and liabilities		**241,046,858**	**279,905,995**
Events after the balance sheet date	1		
Staff costs	2		
Contingent liabilities	15		
Related parties with controlling interest	16		
Group relations	17		

Statement of changes in equity for 2023

	Contributed capital DKK	Reserve for net revaluation according to the equity method DKK	Reserve for development expenditure DKK	Retained earnings DKK	Total DKK
Equity beginning of year	80,920,400	79,091,898	7,270,950	3,243,291	170,526,539
Decrease of capital	(75,000,000)	0	0	0	(75,000,000)
Exchange rate adjustments	0	317,704	0	0	317,704
Transfer to reserves	0	0	(7,270,950)	7,270,950	0
Dissolution of reserves	0	0	0	(316,207)	(316,207)
Profit/loss for the year	0	(62,986,592)	0	148,903,414	85,916,822
Equity end of year	**5,920,400**	**16,423,010**	**0**	**159,101,448**	**181,444,858**

Notes

1 Events after the balance sheet date

There have been no events that materially affect the assessment of this Annual Report 2023 after the balance sheet date and up to today.

2 Staff costs

	2023 DKK	2022 DKK
Wages and salaries	60,552,339	55,924,339
Pension costs	4,215,775	3,660,164
Other social security costs	1,343,351	857,303
Other staff costs	1,285,226	982,070
	67,396,691	**61,423,876**

Average number of full-time employees	**63**	**70**

	Remuneration of Management 2023 DKK	Remuneration of Management 2022 DKK
Total amount for management categories	5,004,000	2,852,656
	5,004,000	**2,852,656**

3 Tax on profit/loss for the year

	2023 DKK	2022 DKK
Current tax	527,000	0
Change in deferred tax	0	(470,373)
Refund in joint taxation arrangement	0	997,700
	527,000	**527,327**

4 Discontinued operations

	2023 DKK
Revenue	219,803,000
Production Costs	(185,958,000)
Distribution costs	(10,998,000)
Administrative costs	(10,060,000)
Other finansial income	3,503,801
Other finansial expenses	(5,293,598)
Profit/loss for the period	**10,997,203**
Profit/loss from disposal of operations etc.	61,362,013
Pre-tax profit/loss from discontinued operations	**72,359,216**
Tax on profit/loss from discontinued operations	(12,827,013)
Post-tax profit/loss from discontinued operations	**59,532,203**

5 Proposed distribution of profit and loss

	2023 DKK	2022 DKK
Retained earnings	85,916,822	22,575,611
	85,916,822	**22,575,611**

6 Intangible assets

	Completed development projects DKK	Acquired intangible assets DKK	Development projects in progress DKK
Cost beginning of year	98,564	28,984,944	2,316,595
Transfers	0	118,131	1,803,137
Additions	98,150	0	0
Disposals	(196,714)	(29,103,075)	(4,119,732)
Cost end of year	**0**	**0**	**0**
Amortisation and impairment losses beginning of year	(49,282)	(17,368,303)	0
Amortisation for the year	(19,735)	(2,041,731)	0
Reversal regarding disposals	69,017	19,410,034	0
Amortisation and impairment losses end of year	**0**	**0**	**0**
Carrying amount end of year	**0**	**0**	**0**

7 Development projects

In 2022 the company had intangible assets under development is related to implementation of robotic process automation (RPA) in Finance and reporting via Business Intelligence (Power BI). The majority of the projects are expected to be finalized in the coming years and the projects are progressing as planned using the resources allocated by Management to the development. Furthermore, there has been focus in optimizing some standard products which should result in a decrease of the cost in production of these specific items and in the end contribute to an increase in the margin where these products go in to.

8 Property, plant and equipment

	Land and buildings DKK	Plant and machinery DKK	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK
Cost beginning of year	3,648,657	5,196,348	9,338,322	5,923,164
Additions	0	0	1,909,009	598,404
Disposals	(3,648,657)	(5,196,348)	(11,247,331)	(966,934)
Cost end of year	**0**	**0**	**0**	**5,554,634**
Depreciation and impairment losses beginning of year	(342,543)	(4,989,112)	(7,817,022)	(3,976,087)
Depreciation for the year	(64,471)	(95,447)	(896,208)	(222,670)
Reversal regarding disposals	407,014	5,084,559	8,713,230	60,289
Depreciation and impairment losses end of year	**0**	**0**	**0**	**(4,138,468)**
Carrying amount end of year	**0**	**0**	**0**	**1,416,166**

9 Financial assets

	Investments in group enterprises DKK	Deposits DKK	Deferred tax DKK
Cost beginning of year	55,022,332	574,841	9,740,905
Additions	19,653,000	0	0
Disposals	(27,860,484)	(574,841)	(9,740,905)
Cost end of year	**46,814,848**	**0**	**0**
Revaluations beginning of year	79,091,798	0	0
Exchange rate adjustments	317,704	0	0
Share of profit/loss for the year	26,911,304	0	0
Reversal regarding disposals	(4,897,796)	0	0
Revaluations end of year	**101,423,010**	**0**	**0**
Carrying amount end of year	**148,237,858**	**0**	**0**

Investments in subsidiaries	**Registered in**	**Corporate form**	**Equity interest %**
SKAKO Vibration A/S	Denmark	A/S	100
SKAKO GmbH	Germany	GmbH	100

10 Deferred tax

Changes during the year	2023 DKK	2022 DKK
Beginning of year	9,740,905	9,270,532
Recognised in the income statement	(10,329,905)	470,373
End of year	**(589,000)**	**9,740,905**

11 Contract work in progress

	2023 DKK	2022 DKK
Contract work in progress	0	54,950,687
Progress billings regarding contract work in progress	0	(87,212,373)
Transferred to liabilities other than provisions	0	34,719,903
	0	**2,458,217**

12 Prepayments

Prepayments consist of prepaid exhibition, other costs and accruals of insurance, etc.

13 Share capital

	Number	Par value DKK	Nominal value DKK
Share Capital	118,408	50	5,920,400
	118,408		**5,920,400**

14 Other provisions

Other provisions consist of guarantee obligations

15 Contingent liabilities

The company's leasing obligations for operational leasing amount to 0 million DKK (2022: 1.0 million DKK).

The company's primary financial institution has provided a guarantee for consignments and prepayments of a total of 0 million DKK. (2022: 23.0 million DKK)

As security for SKAKO A/S's, SKAKO Vibration A/S's and SKAKO GmbH outstanding account in relation to its primary financial institution the company has provided an unlimited, joint and several suretyship.

Towards the company's primary financial institution a company deposit of 50 million DKK has been provided with deposit in unsecured claims, stocks, tangible assets and intangible rights. The company deposit also provides a security for SKAKO Vibration A/S and SKAKO A/S.

The Danish subsidiaries of the Group are liable for tax of the jointly taxed income, etc. of the Group. The total amount appears from the annual report of SKAKO A/S which is the administrative company of the joint taxation.

16 Related parties with controlling interest

SKAKO A/S, Faaborg, 100% ownership, is the only related party with a controlling interest.

Related parties with significant influence are the Company´s Executive Board, Board of Directors and their related parties.

Furthermore, related parties are companies in which the above persons have significant interests.

Transactions with related parties are only disclosed if they have not been in accordance with the arm´s length principle. All transactions have been on arm´s length conditions.

17 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group: SKAKO A/S, Faaborg.

Name and registered office of the Parent preparing consolidated financial statements for the smallest group: SKAKO A/S, Faaborg.

Accounting policies

Reporting class

This annual report has been prepared 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.

Consolidated financial statements

Referring to section 112 of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

Recognition and measurement

SKAKO Vibration Holding A/S develops, designs and sells a versatile high-end product range of all types of concrete batching plants for readymix, precast and jobsite plants. The main focus is on plant sales with a strong after sales division.

Revenues are recognized in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortized cost are recognized. Moreover, all expenses incurred to achieve the earnings for the year are recognized in the income statement, including depreciation, amortization, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognized in the income statement.

Assets are recognized in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognized in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Discontinued operations

Discontinued operations are material business areas or geographical areas planned, or decided, to be disposed of, discontinued or abandoned and which may be separated from the Entity’s other operations.

Results from discontinued operations are presented in the income statement as a separate item consisting of profit/loss after tax of the relevant operation and any gains or losses from fair value adjustments or sale of the assets and liabilities related to the operation.

Assets relating to the discontinued operations are presented separately in the balance sheet as assets related to discontinued operations. Liabilities related to the discontinued operations are presented separately in the balance sheet as liabilities related to discontinued operations.

The comparative figures in the income statement and the balance sheet are not restated.

Foreign currency translation

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognized in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognized directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognized in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Derivative financial instruments

Changes in the fair values of derivative financial instruments that are designated and qualify as hedges of expected future transactions are recognized in retained earnings under equity as regards the effective portion of the hedge. The ineffective portion is recognized in the income statement. If the hedged transaction results in an asset or a liability, the amount deferred in equity is transferred from equity and recognized in the cost of the asset or the liability, respectively. If the hedged transaction results in an income or an expense, the amount deferred in equity is transferred from equity to the income statement in the period in which the hedged transaction is recognized. The amount is recognized in the same item as the hedged transaction.

Income statement

Revenue

Revenue is recognized over time or at a point in time. Revenue is recognized over time when an asset on behalf of a customer is created with no alternative use and SKAKO has an enforceable right to payment for performance completed year to date, or the customer obtains control of a Plant or product and thus has the ability to direct the use and obtain the benefit from the Plant or product.

Plant sales are negotiated contracts to design and concrete batching plants and conveying equipment for customers. Revenue will be recognized over time, as the above criteria are met, using “the percentage of completion method”

The proportion of revenue to be recognized in a particular period is calculated according to the percentage of completion of the project. For most contracts this is measured by reference to the costs of performing the contract incurred up to the relevant balance sheet date as a percentage of the total estimated costs of performing the contract. Reference to cost is assessed to be the most appropriate method as incurred hours and material costs are the value drivers for the projects. The sales value agreed in the contract is recognized over the contract period using above method.

Contracts where the recognized revenue from the work performed exceeds progress billings are recognized in the balance sheet under assets.

Contracts for which progress billings exceed the revenue are recognized under liabilities. Prepayments from customers are recognized under liabilities.

If it is likely that the total costs in relation to a construction contract will exceed the total revenue on a specific project, the expected loss is recognized immediately in the income statement in the current period.

SKAKO Vibration Holding A/S sells a range of spare parts and products as Aftersales to the Plants sales. Revenue is recognized when control of the products has transferred, being when the products are delivered to the customer. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and SKAKO has objective evidence that all criteria for acceptance have been satisfied.

Revenue from the service contracts is recognized in the period in which the services are provided based on amounts billable to a customer. For fixed price components in the contract, revenue is recognized on a straight-line basis over the course of a year, while for variable components revenue is recognized based on usage of units, and price lists according to the contract

Production costs
Production costs comprises costs incurred to achieve revenue for the year. Cost comprises raw materials, consumables, direct labor costs and indirect production costs such as maintenance and depreciation, etc., as well as operation, administration and management of factories.

Research and development costs and government grants is included in production costs.
Research costs are always recognised in the Income Statement in step with the incurrence of such costs.

Development costs include all costs not satisfying capitalization criteria, but incurred in connection with development, prototype construction and development of new business concepts.

Direct and indirect research and development incentives in terms of tax incentives and other grants and subsidy schemes for research and development. Grants are offset against research and development costs. Government grants are recognised when there is reasonable certainty that the conditions for such grants are satisfied and that they will be awarded.

Distribution costs
Distribution expenses comprise costs in the form of salaries to sales and distribution staff, advertising and marketing expenses as well as operation of motor vehicles, depreciation, etc.

Administrative expenses
Administration expenses comprise costs in form of salaries to administration staff and management, office expenses, operation of motor vehicles, depreciations etc.

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.

Income from investments in group enterprises
The item “Income from investments in subsidiaries” in the income statement includes the proportionate share of the profit for the year.

Other financial income from group enterprises
Other financial income from group enterprises comprises interest income etc on receivables from group enterprises.

Other financial income
Other financial income comprises dividends etc received on other investments, interest income, including interest income on receivables from group enterprises, and other financial income.

Financial expenses from group enterprises
Financial expenses from group enterprises comprise interest expenses etc from payables to group enterprises.

Other financial expenses
Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, and other financial expenses

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.

The Danish subsidiaries of the SKAKO division are liable for tax of the jointly taxed income, etc. of the Group. The total amount appears from the annual report of SKAKO A/S which is the administrative company of the joint taxation. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes

Balance sheet

Intellectual property rights etc
Goodwill acquired is measured at cost less accumulated amortization. Goodwill is amortized on a straightline basis over its useful life, which is assessed at 10 years

Software are measured at cost less accumulated depreciation and less any accumulated impairment losses. Deferred tax is calculated using the balance sheet liability method on temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is calculated based on the applicable tax rates for the individual financial years. The effect of changes in the tax rates is stated in the income statement unless they are items previously entered in the statement of other comprehensive income.

Development projects, for which the technical rate of utilization, sufficient resources and a potential future market or application in the Group can be demonstrated and which are intended to be manufactured, marketed or used are recognized as completed development projects. This requires that the cost can be determined, and it is sufficiently certain that the future earnings or the net selling price will cover production, sales and administrative costs plus the development costs. Other development costs are recognized in the income statement when the costs are incurred. Development costs consist of salaries and other costs that are directly attributable to development activities.

Amortization of completed development projects is charged on a straight-line basis during their estimated useful life. Development projects are written down for impairment to recoverable amount, if lower. Development projects in progress are tested for impairment once a year.

The amortization profile is systematically based on the expected useful life of the assets, taking into account the remaining agreement period and consumption (unit of production method) at the time of implementation. The basis of amortization is reduced by impairment, if any.

Amortization takes place systematically over the estimated useful life of the assets which is as follows:

Development costs	2-10 years
Software systems	2-10 years

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 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
roperty, plant leases and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Interest expenses on loans raised directly for financing the construction of property, plant, and equipment are recognized in cost over the period of construction. All indirectly attributable borrowing expenses are recognized in the income statement.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

	Useful life
Buildings	10-60 years
Plant and machinery	3-10 years
Other fixtures and fittings, tools and equipment	3-15 years
Leasehold improvements	3-10 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 subsidiaries are recognized and measured under the equity method.

The item in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealized intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements.

Subsidiaries with a negative net asset value are recognized at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognized in provisions.

The accounting policies applied to material financial statement items of group enterprises are:

Inventories:
Inventories are measured at the lower of cost under the FIFO method and net realizable value.

The net realizable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realizable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labor with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labor as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

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

Contract work in progress:
Contract work in progress regarding service is measured at selling price of the work performed calculated on the basis of the stage of completion. The stage of completion is measured by the proportion that the contract expenses incurred to date bear to the estimated total contract expenses. Where it is probable that total contract expenses will exceed total revenues from a contract, the expected loss is recognized as an expense in the income statement.

Payments received on account are set off against the revenue recognized from the work in progress contracts. The individual contracts are classified as receivables when the net selling price is positive and as liabilities when the net selling price is negative.

Expenses relating to sales work and the winning of contracts are recognized in the income statement as incurred.

Other provisions:

Other provisions comprise anticipated costs of non-recourse guarantee commitments, returns, loss on contract work in progress, decided and published restructuring, etc.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

Deferred tax
Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realized, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallize as current tax. Any changes in deferred tax due to changes to tax rates are recognized in the income statement or in equity if the deferred tax relates to items recognized in equity.

Inventories
Inventories are measured at the lower of cost under the FIFO method and net realizable value.

The net realizable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realizable value is determined allowing for marketability, obsolescence and development in expected selling price.

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Expenses relating to sales work and the winning of contracts are recognized in the income statement as incurred.

Prepayments
Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Other investments
Other current asset investments comprise listed securities measured at fair value (market price) at the balance sheet date, and unlisted investments measured at the lower of cost and net realisable value.

Cash
Cash comprises cash in hand and bank deposits.

Other provisions
Other provisions comprise anticipated costs of non-recourse guarantee commitments, returns, loss on contract work in progress, decided and published restructuring, etc.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

Lease liabilities
Lease liabilities relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease liabilities are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

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

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

Cash flow statement
With reference to section 86 (4) of the Danish Financial Statements Act, no cash flow statement is prepared.