



RSM

RSM Danmark

Statsautoriseret
Revisionspartnerselskab

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Budweg Caliper A/S

Industrivej 10, 5260 Odense S

Company reg. no. 79 13 22 17

Annual report

2023

The annual report was submitted and approved by the general meeting on the 27 June 2024.

Charlotte Holm
Chairman of the meeting

Notes:

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

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Management's statement

Today, the Board of Directors and the Managing Director have approved the annual report of Budweg Caliper A/S for the financial year 2023.

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

We consider the chosen accounting policy to be appropriate, and 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.

Further, in our opinion, the Management's review gives a true and fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the Annual General Meeting.

Odense S, 27 June 2024

Managing Director

Christer Mysling

Board of directors

Steven Brian Mesarick
Chairman

Duygu Seker

William Van Jackson

Kent Skov Hansen

Knud Wilhelm Kirkhammer

Independent auditor's report

To the Shareholders of Budweg Caliper A/S

Opinion

We have audited the financial statements of Budweg Caliper A/S for the financial year 1 January - 31 December 2023, which comprise income statement, balance sheet, statement of changes in equity, notes and a summary of significant accounting policies, for the Company. The financial statements are prepared under the Danish Financial Statements Act.

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.

Basis for conclusion

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.

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.

Independent auditor's report

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism 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.

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.

Independent auditor's report

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, we conclude that Management's Review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of Management's Review.

Kolding, 27 June 2024

RSM Danmark

Statsautoriseret Revisionspartnerselskab
Company reg. no. 25 49 21 45

Konrad Jensen-Dahm

State Authorised Public Accountant
mne34321

Company information

The company

Budweg Caliper A/S
Industrivej 10
5260 Odense S

Company reg. no. 79 13 22 17
Established: 20 September 1985
Domicile: Odense
Financial year: 1 January - 31 December

Board of directors

Steven Brian Mesarick, Chairman
Duygu Seker
William Van Jackson
Kent Skov Hansen
Knud Wilhelm Kirkhammer

Managing Director

Christer Mysling

Auditors

RSM Danmark Statsautoriseret Revisionspartnerselskab
Birkemose Allé 39, 1. sal
6000 Kolding

Financial highlights

DKK in thousands.	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Income statement:					
Gross profit	66.357	53.497	67.716	81.939	63.775
Profit from operating activities (EBIT)	30.143	15.803	35.877	47.178	27.589
Net financials	-2.354	-4.325	-4.325	-6.265	-4.670
Net profit or loss for the year	18.877	9.148	24.071	27.160	19.031
Statement of financial position:					
Balance sheet total	354.623	162.297	178.870	225.762	268.443
Investments in property, plant and equipment	3.035	5.395	5.357	10.076	7.197
Equity	118.630	98.012	103.978	147.554	120.682
Employees:					
Average number of full-time employees	154	143	131	125	133
Key figures in %:					
Return on equity	17,4	9,1	19,1	20,3	13,0
Solvency ratio	33,5	60,4	58,1	65,4	45,0
Return on invested capital	9,3	9,3	20,1	20,9	10,3

Calculations of key figures and ratios do, in all material respects, follow the recommendations of the Danish Association of Finance Analysts, only in a few respects deviating from the recommendations.

The key figures and ratios shown in the statement of financial highlights have been calculated as follows:

$$\text{Return on equity} = \frac{\text{Net profit or loss for the year} \times 100}{\text{Average equity}}$$

$$\text{Solvency ratio} = \frac{\text{Equity, closing balance} \times 100}{\text{Total assets, closing balance}}$$

$$\text{Return on invested capital} = \frac{\text{Profit from operating activities (EBIT)} \times 100}{\text{Average invested capital}}$$

Management's review

Description of key activities of the company

The key activity of Budweg Caliper A/S is the remanufacturing and trading of brake calipers for passenger cars and vans and the manufacture of parts to calipers.

Corporate Governance

The company is part of a group that has the American private equity firm Clearlake Capital Group, L.P. as its main shareholder through BBB Industries LLC.

Companies owned by private equity funds and presenting the annual report according to large class C companies must incorporate DVCA's (Danish Venture Capital Association) guide for good corporate governance.

The company presents the annual report in accordance with the rules for medium-sized enterprises in accounting class C and is thus not fully covered by DVCA's guidelines.

BBB Industries Ltd. is represented in the board of Directors as both chairman of board and 2 general members of board. Board meetings are held through the year, and no special Board committees is established.

Development in activities and financial matters

The income statement of the Company for 2023 shows a profit of TDKK 18,877, and at 31 December 2023 the balance sheet of the Company shows equity of TDKK 118,630.

BBB Industries world wide activity is sustainable manufacturing of parts for the Automotive business among others. The acquisition of Budweg Group was BBB's first acquisition of a sustainable manufacturing company in Europe within the Automotive business.

Per 30th May 2023 Budweg Caliper A/S acquired BBB Poland Sp. Zo.o (former Inter-Turbo Sp. Zo.o), which is a production company in Katowice in Poland, who remanufactures Turbochargers and other related products.

This acquisition is a step on the way of expanding BBB Industries sustainable manufacturing within Europe. Teams from both companies has worked very focused on integration in to BBB Europe, which has been a great success.

In 2023 Budweg Caliper A/S has focused on setting the right route for the future growth of our European sustainable manufacturing. Hereunder we have worked on expanding the level of remanufacturing in our production.

We managed to improve earnings compared to prior year and the results for the year ended at an acceptable level eventhough the results where a little lower than expected due to lower topline and cost related to the setting of the future patch for our company.

Management's review

Expected developments

We have during 2023 continued the work on changes and efficiencies. The outcome of this and also based on the increase in demand in 2024, an increase in revenue and net profit is expected in the coming year with a total net result around 20-30M DKK.

Environmental issues

Budweg Caliper A/S' remanufacturing production does not have any high impact on the external environment. The company does not want to burden employees and the environment with unnecessarily use of chemicals. The company continues to maintain our certification from ISO 14001.

With base in this certification Budweg Caliper A/S works continuously with development and improvement within the environment and working environment.

Financial risks and the use of financial instruments

There are no particular operational risks for Budweg Caliper A/S. Revenue and purchases are mainly in EUR, even though purchased materials are also in other currencies.

Events occurring after the end of the financial year

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income statement 1 January - 31 December

DKK thousand.

<u>Note</u>	<u>2023</u> t.kr.	<u>2022</u> t.kr.
Gross profit	66.357	53.497
Distribution costs	-21.623	-20.209
Administration expenses	-14.491	-17.333
Other operating expenses	-100	-152
Operating profit	30.143	15.803
Income from investments in group enterprises	2.857	-431
Other financial income from group enterprises	2	4
Other financial income	196	20
2 Other financial expenses	-8.979	-2.378
Financing, net	-5.924	-2.785
Pre-tax net profit or loss	24.219	13.018
3 Tax on net profit or loss for the year	-5.342	-3.870
4 Net profit or loss for the year	18.877	9.148

Balance sheet at 31 December

DKK thousand.

Assets		2023	2022
<u>Note</u>		<u>t.kr.</u>	<u>t.kr.</u>
Non-current assets			
5	Acquired intangible fixed assets	5.455	91
	Total intangible assets	<u>5.455</u>	<u>91</u>
6	Other fixtures, fittings, tools and equipment	11.126	14.724
	Total property, plant, and equipment	<u>11.126</u>	<u>14.724</u>
7	Investments in group enterprises	147.159	7.763
	Total investments	<u>147.159</u>	<u>7.763</u>
	Total non-current assets	<u>163.740</u>	<u>22.578</u>
Current assets			
	Raw materials and consumables	75.189	82.009
	Work in progress	1.894	1.643
	Manufactured goods and goods for resale	29.851	24.089
	Total inventories	<u>106.934</u>	<u>107.741</u>
	Trade receivables	50.469	22.956
	Receivables from group enterprises	3.638	194
	Other receivables	17.664	2.340
8	Prepayments	1.822	1.678
	Total receivables	<u>73.593</u>	<u>27.168</u>
	Cash and cash equivalents	<u>10.356</u>	<u>4.810</u>
	Total current assets	<u>190.883</u>	<u>139.719</u>
	Total assets	<u>354.623</u>	<u>162.297</u>

Balance sheet at 31 December

DKK thousand.

Equity and liabilities			
<u>Note</u>		<u>2023</u>	<u>2022</u>
		t.kr.	t.kr.
Equity			
9	Contributed capital	500	500
	Retained earnings	118.130	97.512
	Total equity	118.630	98.012
Provisions			
10	Provisions for deferred tax	567	665
11	Other provisions	750	700
	Total provisions	1.317	1.365
Liabilities other than provisions			
	Lease liabilities	2.654	4.217
12	Total long term liabilities other than provisions	2.654	4.217
12	Current portion of long term liabilities	1.654	2.715
	Bank loans	15.869	0
	Trade payables	36.483	20.850
	Payables to group enterprises	140.226	1.563
	Income tax payable	1.507	0
	Other payables	36.283	33.575
	Total short term liabilities other than provisions	232.022	58.703
	Total liabilities other than provisions	234.676	62.920
	Total equity and liabilities	354.623	162.297
1 Employee issues			
13 Charges and security			
14 Contingencies			
15 Related parties			

Statement of changes in equity

DKK thousand.

	<u>Contributed capital</u>	<u>Retained earnings</u>	<u>Total</u>
Equity 1 January 2022	500	97.512	98.012
Retained earnings for the year	0	18.877	18.877
Exchange rate adjustment	0	1.741	1.741
	<u>500</u>	<u>118.130</u>	<u>118.630</u>

Notes

DKK thousand.

	<u>2023</u>	<u>2022</u>
1. Employee issues		
Salaries and wages	83.327	68.069
Pension costs	6.611	4.959
Other costs for social security	<u>1.542</u>	<u>1.216</u>
	<u>91.480</u>	<u>74.244</u>
Executive board and board of directors	<u>1.540</u>	<u>1.604</u>
Average number of employees	<u>154</u>	<u>143</u>
2. Other financial expenses		
Financial costs, group enterprises	4.696	9
Other financial costs	<u>4.283</u>	<u>2.369</u>
	<u>8.979</u>	<u>2.378</u>
3. Tax on net profit or loss for the year		
Tax on net profit or loss for the year	5.439	3.750
Adjustment of deferred tax for the year	-97	144
Adjustment of tax for previous years	<u>0</u>	<u>-24</u>
	<u>5.342</u>	<u>3.870</u>
4. Proposed distribution of net profit		
Extraordinary dividend distributed during the financial year	0	14.350
Transferred to retained earnings	18.877	0
Allocated from retained earnings	<u>0</u>	<u>-5.202</u>
Total allocations and transfers	<u>18.877</u>	<u>9.148</u>

Notes

DKK thousand.

	31/12 2023	31/12 2022
	t.kr.	t.kr.
5. Acquired intangible fixed assets		
Cost opening balance	8.526	8.496
Additions during the year	7.292	30
Disposals during the year	-90	0
Cost end of period	15.728	8.526
Amortisation and write-down opening balance	-8.435	-8.209
Amortisation and depreciation for the year	-1.904	-226
Reversal of depreciation, amortisation, and impairment loss, assets disposed of	66	0
Amortisation and write-down end of period	-10.273	-8.435
Carrying amount, end of period	5.455	91
6. Other fixtures, fittings, tools and equipment		
Cost opening balance	57.372	54.924
Additions during the year	3.035	5.395
Disposals during the year	-4.102	-2.947
Cost end of period	56.305	57.372
Depreciation and write-down opening balance	-42.648	-37.835
Amortisation and depreciation for the year	-5.869	-7.125
Reversal of depreciation, amortisation and impairment loss, assets disposed of	3.338	2.312
Depreciation and write-down end of period	-45.179	-42.648
Carrying amount, end of period	11.126	14.724
Lease assets are recognised at a carrying amount of	3.643	7.210

Notes

DKK thousand.

	<u>31/12 2023</u>	<u>31/12 2022</u>
7. Investments in group enterprises		
Cost opening balance	11.067	33.196
Correction opening balance	0	1.576
Additions during the year	134.797	0
Disposals during the year	0	-23.705
Cost end of period	<u>145.864</u>	<u>11.067</u>
Revaluations, opening balance opening balance	-3.303	-10.600
Correction of previous revaluations	0	-1.575
Exchange rate at the balance sheet date	1.741	-38
Net profit or loss for the year before amortisation of goodwill	5.715	-431
Reversals for the year concerning disposals	0	23.705
Dividend	0	-14.365
Revaluation end of period	<u>4.153</u>	<u>-3.304</u>
Amortisation of goodwill for the year	-2.858	0
Depreciation on goodwill end of period	<u>-2.858</u>	<u>0</u>
Carrying amount, end of period	<u>147.159</u>	<u>7.763</u>
The item includes goodwill with an amount of	<u>95.142</u>	<u>0</u>
Goodwill is recognised under the item "Additions during the year" with an amount of	<u>98.000</u>	<u>0</u>
Group enterprises:		
	Domicile	Equity interest
Budweg GmbH	Germany	100 %
Budweg China ApS	Odense, Denmark	100 %
BBB Industries Poland Sp. z o. o	Poland	100 %

8. Prepayments

Accruals consist of prepaid rent and prepaid bills.

Notes

DKK thousand.

	<u>31/12 2023</u>	<u>31/12 2022</u>
9. Contributed capital		
Contributed capital opening balance	500	500
	<u>500</u>	<u>500</u>
10. Provisions for deferred tax		
Provisions for deferred tax opening balance	470	725
Deferred tax relating to the net profit or loss for the year	97	144
Deferred tax recognised directly in equity	0	-204
	<u>567</u>	<u>665</u>

11. Other provisions

The company provides a 1 to 5 year warranty on certain products and undertakes to repair or replace products that are not satisfactory. Other provisions of T.DKK 750 (2022: T.DKK 700) have been recognized for expected warranty claims based on previous experience regarding the level of repairs and returned goods.

12. Long term liabilities other than provisions

	<u>Total payables 31 Dec 2023</u>	<u>Current portion of long term payables</u>	<u>Long term payables 31 Dec 2023</u>	<u>Outstanding payables after 5 years</u>
Lease liabilities	4.308	1.654	2.654	0
	<u>4.308</u>	<u>1.654</u>	<u>2.654</u>	<u>0</u>

13. Charges and security

For bank loans the company has provided security in company assets representing a nominal value of DKK 10.000. This security comprises the assets below, stating the carrying amounts:

	<u>DKK in thousands</u>
Inventories	106.935
Trade receivables	51.300
Other fixtures, fittings, tools and equipment	7.483
Acquired intangible fixed assets	5.455

Notes

DKK thousand.

13. Charges and security (continued)

The company has provided a payment guarantee to Danske Leasing A/S. The amount per 31 December 2023 is 7.267 T.DKK.

14. Contingencies

Contingent liabilities

Budweg Caliper A/S has signed a lease for residential property with a remaining term of 143 months. The total rent obligation is calculated at T.DKK 90.714.

Joint taxation

The company is included in the national joint taxation with Topcap Budweg Caliper ApS, CVR no. 39 23 86 91, which is an administration company and is liable unlimitedly and jointly with the other jointly taxed companies for the total corporation tax. The joint taxed companies' known net liability in joint taxation appears in the annual accounts of the management company.

15. Related parties

Controlling interest

BBB Industries LLC, Caphold Budweg Caliper ApS and Topcap Budweg Caliper ApS have a controlling influence on the company.

Consolidated financial statements

Name and registered office of the parent company that prepares group accounting for the group's largest group: BBB Industries LLC, 29627 Renaissance Blvd. Daphne, Alabama 36526, USA. The consolidated accounts can be requested from BBB Industries LLC either per email or telephone.

Name and registered office of the parent company that prepares the group accounting for the group's smallest group: Topcap Budweg Caliper ApS, Industrivej 10, 5260 Odense S.

Accounting policies

The annual report for Budweg Caliper A/S has been presented in accordance with the Danish Financial Statements Act regulations concerning reporting class C enterprises (medium sized enterprises).

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

No consolidated financial statements have been prepared pursuant to section 112 (1) of the Danish Financial Statements Act. The financial statements of Budweg Caliper A/S and its group enterprises are included in the consolidated financial statements for Topcap Budweg Caliper ApS, Odense S, CVR nr. 39238691.

Pursuant to section 86 (4) of the Danish Financial Statements Act, no statement of cash flows for the enterprise has been prepared, as the relevant information is included in the consolidated financial statements of Tocap Budweg Caliper Aps.

Recognition and measurement in general

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

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

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

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

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

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

Accounting policies

Foreign currency translation

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials. If currency positions are considered to hedge future cash flows, the value adjustments are recognised directly in equity in a fair value reserve.

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

Fixed assets acquired and paid for in foreign currency are measured at the exchange rate prevailing at the date of the transaction.

Group enterprises abroad, associates, and equity investments are considered to be independent entities. The income statements are translated at an average exchange rate for the month, and the balance sheet items are translated at the closing rates. Currency translation differences, arising from the translation of the equity of group enterprises abroad at the beginning of the year to the closing rate and from the translation of income statements from average prices to the closing rate, are recognised directly in equity in the fair value reserve in the Consolidated Financial Statement. This also applies to differences arising from translation of income statements from average exchange rate to closing rate.

Translation adjustment of balances with group enterprises abroad that are considered part of the total investment in group enterprises are recognised directly in equity in the fair value reserve. Likewise, foreign exchange gains and losses on loans and derived financial instruments for currency hedging independent group enterprises abroad are recognised directly in equity.

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

Income statement

Gross profit

Gross profit comprises revenue, production costs, and other operating income.

The enterprise will be applying IAS 11 and IAS 18 as its basis of interpretation for the recognition of revenue.

Accounting policies

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

Production costs include the manufacturing and procurement costs incurred to achieve the revenue for the year. Direct and indirect manufacturing costs are recognized, including costs for raw materials and consumables, wages and salaries, energy consumption, maintenance, leasing and depreciation on production facilities, with adjustments for changes in finished goods inventories and work in progress.

Distribution costs

Distribution costs comprise costs incurred for the distribution of goods sold during the year and for sales campaigns carried out during the year. Also, costs concerning sales staff, advertising and exhibitions costs, and amortisations.

Administration expenses

Administration expenses comprise expenses incurred during the year concerning management and administration, including expenses concerning administrative staff, the executive board, office premises, stationery and office supplies, and depreciations.

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

Other operating income comprises items of a secondary nature as regards the principal activities of the enterprise, including profit from the disposal of intangible and tangible assets, operating loss and conflict compensation as well as salary reimbursements received. Compensation is recognized when it is overwhelmingly probable that the company will receive the compensation.

Other operating expenses

Other operating expenses comprise items of secondary nature as regards the principal activities of the enterprise, including losses on the disposal of intangible and tangible assets.

Financial income and expenses

Financial income and expenses are recognised in the income statement with the amounts concerning the financial year. Financial income and expenses comprise interest income and expenses, financial expenses from financial leasing, realised and unrealised capital gains and losses relating to securities, debt and transactions in foreign currency, amortisation of financial assets and liabilities as well as surcharges and reimbursements under the advance tax scheme, etc.

Results from investments in group enterprises

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

Accounting policies

Tax on net profit or loss for the year

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

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

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

Statement of financial position

Intangible assets

Acquired intangible fixed assets

Acquired intangible fixed assets is measured at cost less accumulated amortisation. Given that it is impossible to make a reliable estimate of the useful life, the amortisation period is set at 3-5 years.

Property, plant, and equipment

Property, plant, and equipment are measured at cost less accrued depreciation and write-down for impairment.

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

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

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

The cost of a total asset is divided into separate components. These components are depreciated separately, the useful lives of each individual components differing, and the individual component representing a material part of the total cost.

Depreciation is done on a straight-line basis according to an assessment of the expected useful life:

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

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

Accounting policies

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

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

Leases

The enterprise will be applying IAS 17 as its base of interpretation for recognition of classification and recognition of leases.

At their initial recognition in the statement of financial position, leases concerning property, plant, and equipment where the company holds all essential risks and advantages associated with the proprietary right (finance lease) are measured either at fair value of the asset being leased or at the present value of the future lease payments, whichever value is lower. When calculating the present value, the discount rate used is the internal rate of return of the lease or, alternatively, the borrowing rate of the enterprise. Hereafter, assets held under a finance lease are treated in the same way as other similar property, plant, and equipment.

The capitalised residual lease commitment is recognised in the statement of financial position as a liability other than provisions, and the interest part of the lease is recognised in the income statement for the term of the contract.

Investments

Investments in group enterprises

Investments in group enterprises are recognised and measured by applying the equity method. The equity method is used as a method of consolidation.

Investments in group enterprises are recognised in the statement of financial position at the proportionate share of the enterprise's equity value. This value is calculated in accordance with the parent's accounting policies with deductions or additions of unrealised intercompany gains and losses as well as with additions or deductions of the remaining value of positive or negative goodwill calculated in accordance with the acquisition method. Negative goodwill is recognised in the income statement at the time of acquisition of the equity investment. If the negative goodwill relates to contingent liabilities acquired, negative goodwill is not recognised until the contingent liabilities have been settled or lapsed.

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

Accounting policies

Impairment loss relating to non-current assets

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

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

The recoverable amount is the higher value of value in use and selling price less expected selling cost. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the asset group and expected net cash flows from the sale of the asset or the asset group after the end of their useful life.

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

Inventories

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

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

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

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

Receivables

Receivables are measured at amortised cost, which usually corresponds to nominal value.

In order to meet expected losses, impairment takes place at the net realisable value. The company has chosen to use IAS 39 as a basis for interpretation when recognising impairment of financial assets, which means that impairments must be made to offset losses where an objective indication is deemed to have occurred that an account receivable or a portfolio of accounts receivable is impaired. If an objective indication shows that an individual account receivable has been impaired, an impairment takes place at individual level.

Accounting policies

Prepayments

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

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank.

Income tax and deferred tax

Current tax liabilities and current tax receivable are recognised in the statement of financial position as calculated tax on the taxable income for the year, adjusted for tax of previous years' taxable income and for tax paid on account.

The company is jointly taxed with consolidated Danish companies. The current corporate income tax is distributed between the jointly taxed companies in proportion to their taxable income and with full distribution with reimbursement as to tax losses. The jointly taxed companies are comprised by the Danish tax prepayment scheme.

Joint taxation contributions payable and receivable are recognised in the statement of financial position as "Tax receivables from group enterprises" or "Income tax payable to group enterprises"

Deferred tax is measured on the basis of temporary differences in assets and liabilities with a focus on the statement of financial position. Deferred tax is measured at net realisable value.

Adjustments take place in relation to deferred tax concerning elimination of unrealised intercompany gains and losses.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation prevailing in the respective countries on the reporting date when the deferred tax is expected to be released as current tax. Changes in deferred tax due to changed tax rates are recognised in the income statement, except for items included directly in the equity.

Deferred tax assets, including the tax value of tax losses allowed for carryforward, are recognised at the value at which they are expected to be realisable, either by settlement against tax of future earnings or by set-off in deferred tax liabilities within the same legal tax unit. Any deferred net tax assets are measured at net realisable value.

Provisions

Provisions comprise expected costs of warranty commitments.

Other provisioned liabilities are recognized and measured as the best estimate of the costs necessary to settle the liabilities on the balance sheet date. Provisions for liabilities with an expected maturity of more than one year from the balance sheet date are measured at discounted value.

Guarantee liabilities comprise liabilities for repairs within the guarantee period.

Accounting policies

Liabilities other than provisions

Other liabilities concerning payables to suppliers, group enterprises, and other payables are measured at amortised cost which usually corresponds to the nominal value.