



## Bogense Plast A/S

Fynsvej 14, 5400 Bogense  
CVR No. 87341119

## Annual report 2019

The Annual General Meeting adopted the  
annual report on 25.03.2020

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**Freddy Tindhof**  
Conductor

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# Entity details

## Entity

Bogense Plast A/S

Fynsvej 14

5400 Bogense

CVR No.: 87341119

Registered office: Nordfyns kommune

Financial year: 01.01.2019 - 31.12.2019

## Board of Directors

Svend Leo Munck Olsen

Hanne Aase Tindhof

Freddy Tindhof

Per Grunddal Jørgensen

## Executive Board

Freddy Tindhof

Per Grunddal Jørgensen

## Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Tværkajen 5

P. O. Box 10

5100 Odense

# Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of Bogense Plast A/S for the financial year 01.01.2019 - 31.12.2019.

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 31.12.2019 and of the results of its operations and cash flows for the financial year 01.01.2019 - 31.12.2019.

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.

Bogense, 25.03.2020

## Executive Board

**Freddy Tindhof**

**Per Grunddal Jørgensen**

## Board of Directors

**Svend Leo Munck Olsen**

**Hanne Aase Tindhof**

**Freddy Tindhof**

**Per Grunddal Jørgensen**

# Independent auditor's report

## To the shareholders of Bogense Plast A/S

### Opinion

We have audited the financial statements of Bogense Plast A/S for the financial year 01.01.2019 - 31.12.2019, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement 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 31.12.2019 and of the results of its operations and cash flows for the financial year 01.01.2019 - 31.12.2019 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:

- 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.

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.

Odense, 25.03.2020

**Deloitte**

Statsautoriseret Revisionspartnerselskab  
CVR No. 33963556

**Allan Dydensborg Madsen**

State Authorised Public Accountant  
Identification No (MNE) mne34144

# Management commentary

## Financial highlights

	2019 DKK'000	2018 DKK'000	2017 DKK'000	2016 DKK'000	2015 DKK'000
<b>Key figures</b>					
Gross profit/loss	51,679	50,559	46,146	40,270	36,148
Operating profit/loss	8,429	6,273	2,641	2,714	3,434
Net financials	(1,878)	(2,055)	(1,961)	(1,745)	(754)
Profit/loss for the year	5,104	3,287	525	756	2,197
Total assets	69,654	74,627	69,734	71,826	57,509
Investments in property, plant and equipment	5,350	6,596	3,740	12,075	8,605
Equity	21,226	17,122	13,835	13,312	13,056
<b>Ratios</b>					
Return on equity (%)	26.62	21.24	3.87	5.73	17.6
Equity ratio (%)	30.47	22.94	19.84	18.53	22.70

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

### Return on equity (%):

Profit/loss for the year \* 100

Average equity

### Equity ratio (%):

Equity \* 100

Total assets



### Primary activities

The Company's primary activity consists in production and sale of injection-moulded plastic components as well as assembly.

### Development in activities and finances

In 2019 the Company dedicated a significant part of its resources towards internal improvement and optimization activities, due to a strategic plan set by the management. These activities combined with new investments in technology and new employees, have cleared the way for what is currently being developed and planned for the next years to come.

The company is a domestic market leader in multicomponent injection moulding, and existing customers as well as new ones have adopted the Company's competencies in this area. There has been considerable growth in sales of these products.

The company faced a slight reduction in turnover, due to reduced volume to a certain export customer. The order intake from both domestic and new export markets have developed in an acceptable level, and the company realized a positive development in gross profit.

The Company has in 2019 seen a significant development in accessing new projects, especially within highly advanced technology areas and materials. The demand for value processing continues to grow, and our assembly facilities continue to develop.

Management's decision on increased focus on high performance of quality and delivery has resulted in increased investments in competences and processes in 2019. It is the Management's very clear objective to meet the customers' enhanced requirements of high performance in all aspects. This is constantly attempted to be achieved through mutual matching of expectations and continued investments in the necessary tools and processes for this purpose. The organization around tool maintenance and service has been added additional resources, and digitalization in this field has improved the visualization and decision-making process.

Net profit for the year 2019 amounted to DKK 5,104 compared to DKK 3.287k the year before.

The progress in the result must be seen in the context of the fact that through focused efforts in all areas of operation, significant improvements have been achieved, major investments have been made in implementing new technologies, in employee-skills and organizational development. The many initiatives contribute to the Company being able to retain and develop its position in the market as a preferred technology partner for existing and new customers.

### Uncertainty relating to recognition and measurement

There have been no material uncertainties or unusual matters affecting recognition and measurement.

### Outlook

The impact of the many initiatives and investments in employees, technologies and infrastructure, is reflected in optimized solutions of assignments. Earlier years' investments in EDI and other integrated IT-solutions with the Company's largest customers are resulting in even more cost-optimal logistic solutions and better service to customers. Through a higher level of competence and the delegation of responsibilities, the Company expects continued improvement in significant areas.

We expect a result for the coming year at the same level as for 2019. We foresee a stable growth in sales to key customers, a controlled and steady growth on new customers, and that the order intake of the projects initiated will contribute positively to earnings.

### Particular risks

The Company is not exposed to any particular business or financial risks other than usual risks within the industry.

The pending epidemic crisis (COVID-19) is at highest level of focus for the management.

Risk management plans and procedures are implemented due to constantly new headlines and restrictions announced by the authorities. At the date for this report, we have seen no impact on our business so far.

Management expect disruptions on transportation of goods and on access to enough labor capacity if the crisis escalates. Risk management plans are under consideration.

### Intellectual capital resources

The Company has the ambition to be at the forefront of the technologies used in the industry. This generates heavy demands to the company, when it comes to training of employees as well as knowledge gathering and sharing. The company is particularly focused on knowledge sharing through professional networks. To continuously develop technologies and supply competitive products and services, it is crucial for the Company to continue to attract, train and maintain highly qualified staff in all areas important to the Company.

The Company has the ambition of being known for a good working environment, low sickness rate, a good mental working environment and zero tolerance in bullying.

### Environmental performance

The Company monitors all environmental aspects related to the processes and products. The objective of the Company is constantly to carry out continuous improvements and minimize the environmental and work environment impacts that might exist. In addition, there is a close contact and dialogue with the authorities for the areas.

Especially in relation to investments in process equipment the Company focus on cleaner technologies, resource utilization, energy optimization and recycling of plastics. Environmental management play a central role in the Company's behavior. The Company is environmentally certified since 2007 and has for several years prior to that prepared and submitted green accounts.

In 2019, the Company received Nordfyns Kommunes Environmental award.

Since 2013, the Company has been affiliated with Operation Clean Sweep. It is the Company's objective, through information, procedures and education to ensure that the Company, as well as the Company's trading partners, comply with the intentions of OCS, which ensures that waste from handling plastic pellets is not found in the aquatic environment and in the surrounding nature. The Company's management considers sustainability to be an important parameter for value creation in the industry of the future.

### Research and development activities

The company is certified according to DS / ISO 9001 containing elements from TS16946 and up-graded in 2017 to the latest standard DS / ISO 9001: 2015

**Events after the balance sheet date**

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

# Income statement for 2019

	Notes	2019 DKK	2018 DKK
<b>Gross profit/loss</b>		<b>51,679,402</b>	<b>50,559,153</b>
Staff costs	2	(38,561,964)	(40,053,429)
Depreciation, amortisation and impairment losses	3	(4,688,343)	(4,233,221)
<b>Operating profit/loss</b>		<b>8,429,095</b>	<b>6,272,503</b>
Other financial income	4	22,108	24,284
Other financial expenses	5	(1,899,883)	(2,079,580)
<b>Profit/loss before tax</b>		<b>6,551,320</b>	<b>4,217,207</b>
Tax on profit/loss for the year	6	(1,447,211)	(930,026)
<b>Profit/loss for the year</b>	7	<b>5,104,109</b>	<b>3,287,181</b>

# Balance sheet at 31.12.2019

## Assets

	Notes	2019 DKK	2018 DKK
Acquired intangible assets		2,192,960	2,586,461
<b>Intangible assets</b>	8	<b>2,192,960</b>	<b>2,586,461</b>
Land and buildings		19,447,210	19,979,579
Plant and machinery		17,152,780	15,349,086
Other fixtures and fittings, tools and equipment		1,538,768	1,737,043
<b>Property, plant and equipment</b>	9	<b>38,138,758</b>	<b>37,065,708</b>
<b>Fixed assets</b>		<b>40,331,718</b>	<b>39,652,169</b>
Raw materials and consumables		5,611,460	6,894,550
Work in progress		3,022,950	3,193,707
Manufactured goods and goods for resale		6,896,030	9,340,106
<b>Inventories</b>		<b>15,530,440</b>	<b>19,428,363</b>
Trade receivables		11,225,338	12,833,443
Contract work in progress	10	141,754	432,269
Other receivables		645,796	1,025,415
Prepayments	11	1,383,741	1,236,716
<b>Receivables</b>		<b>13,396,629</b>	<b>15,527,843</b>
<b>Cash</b>		<b>395,113</b>	<b>19,117</b>
<b>Current assets</b>		<b>29,322,182</b>	<b>34,975,323</b>
<b>Assets</b>		<b>69,653,900</b>	<b>74,627,492</b>

**Equity and liabilities**

	<b>Notes</b>	<b>2019 DKK</b>	<b>2018 DKK</b>
Contributed capital		500,000	500,000
Retained earnings		15,725,985	15,621,876
Proposed dividend		5,000,000	1,000,000
<b>Equity</b>		<b>21,225,985</b>	<b>17,121,876</b>
Deferred tax	12	2,954,000	2,650,000
<b>Provisions</b>		<b>2,954,000</b>	<b>2,650,000</b>
Mortgage debt		3,036,889	3,801,346
Bank loans		3,847,326	4,642,332
Finance lease liabilities		10,859,325	11,306,838
Other payables		1,248,448	0
<b>Non-current liabilities other than provisions</b>	13	<b>18,991,988</b>	<b>19,750,516</b>
Current portion of non-current liabilities other than provisions	13	4,418,101	3,883,610
Bank loans		6,478,061	13,547,198
Contract work in progress	10	1,130,725	93,292
Trade payables		8,712,667	10,418,022
Payables to group enterprises		0	816
Income tax payable		143,211	736,026
Other payables		5,599,162	6,426,136
<b>Current liabilities other than provisions</b>		<b>26,481,927</b>	<b>35,105,100</b>
<b>Liabilities other than provisions</b>		<b>45,473,915</b>	<b>54,855,616</b>
<b>Equity and liabilities</b>		<b>69,653,900</b>	<b>74,627,492</b>
Events after the balance sheet date	1		
Contingent liabilities	15		
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# Statement of changes in equity for 2019

	Contributed capital DKK	Retained earnings DKK	Proposed dividend DKK	Total DKK
Equity beginning of year	500,000	15,621,876	1,000,000	17,121,876
Ordinary dividend paid	0	0	(1,000,000)	(1,000,000)
Profit/loss for the year	0	104,109	5,000,000	5,104,109
<b>Equity end of year</b>	<b>500,000</b>	<b>15,725,985</b>	<b>5,000,000</b>	<b>21,225,985</b>

# Cash flow statement for 2019

	Notes	2019 DKK	2018 DKK
Operating profit/loss		8,429,095	6,272,503
Amortisation, depreciation and impairment losses		4,688,343	4,233,221
Working capital changes	14	5,781,875	(3,704,748)
<b>Cash flow from ordinary operating activities</b>		<b>18,899,313</b>	<b>6,800,976</b>
Financial income received		22,108	24,284
Financial expenses paid		(1,899,883)	(2,079,580)
Income taxes refunded/(paid)		(1,736,028)	60,168
<b>Cash flows from operating activities</b>		<b>15,285,510</b>	<b>4,805,848</b>
Acquisition etc of intangible assets		(29,998)	(541,743)
Acquisition etc of property, plant and equipment		(5,349,894)	(6,596,257)
Sale of property, plant and equipment		12,000	31,000
<b>Cash flows from investing activities</b>		<b>(5,367,892)</b>	<b>(7,107,000)</b>
Repayments of loans etc		(1,531,416)	(1,514,419)
Dividend paid		(1,000,000)	0
Incurrence of lease obligations		2,773,849	5,343,457
Reduction of lease commitments		(2,714,918)	(2,283,878)
<b>Cash flows from financing activities</b>		<b>(2,472,485)</b>	<b>1,545,160</b>
<b>Increase/decrease in cash and cash equivalents</b>		<b>7,445,133</b>	<b>(755,992)</b>
Cash and cash equivalents beginning of year		(13,528,081)	(12,772,089)
<b>Cash and cash equivalents end of year</b>		<b>(6,082,948)</b>	<b>(13,528,081)</b>
Cash and cash equivalents at year-end are composed of:			
Cash		395,113	19,117
Short-term debt to banks		(6,478,061)	(13,547,198)
<b>Cash and cash equivalents end of year</b>		<b>(6,082,948)</b>	<b>(13,528,081)</b>



# Notes

## 1 Events after the balance sheet date

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

## 2 Staff costs

	<b>2019</b>	<b>2018</b>
	<b>DKK</b>	<b>DKK</b>
Wages and salaries	34,333,945	36,097,480
Pension costs	2,590,806	2,230,246
Other social security costs	1,167,952	1,154,872
Other staff costs	469,261	570,831
	<b>38,561,964</b>	<b>40,053,429</b>
Average number of full-time employees	<b>87</b>	<b>90</b>

	<b>Remuneration of management 2019 DKK</b>	<b>Remuneration of management 2018 DKK</b>
Total amount for management categories	1,912,374	1,714,000
	<b>1,912,374</b>	<b>1,714,000</b>

## 3 Depreciation, amortisation and impairment losses

	<b>2019</b>	<b>2018</b>
	<b>DKK</b>	<b>DKK</b>
Amortisation of intangible assets	423,499	315,688
Depreciation of property, plant and equipment	4,276,844	3,918,816
Profit/loss from sale of intangible assets and property, plant and equipment	(12,000)	(1,283)
	<b>4,688,343</b>	<b>4,233,221</b>

## 4 Other financial income

	<b>2019</b>	<b>2018</b>
	<b>DKK</b>	<b>DKK</b>
Exchange rate adjustments	22,108	24,284
	<b>22,108</b>	<b>24,284</b>

## 5 Other financial expenses

	2019 DKK	2018 DKK
Other interest expenses	1,181,729	1,346,797
Exchange rate adjustments	47,583	64,083
Other financial expenses	670,571	668,700
	<b>1,899,883</b>	<b>2,079,580</b>

## 6 Tax on profit/loss for the year

	2019 DKK	2018 DKK
Current tax	1,143,211	736,026
Change in deferred tax	304,000	194,000
	<b>1,447,211</b>	<b>930,026</b>

## 7 Proposed distribution of profit and loss

	2019 DKK	2018 DKK
Ordinary dividend for the financial year	5,000,000	1,000,000
Retained earnings	104,109	2,287,181
	<b>5,104,109</b>	<b>3,287,181</b>

## 8 Intangible assets

	Acquired intangible assets DKK
Cost beginning of year	3,732,123
Additions	29,998
<b>Cost end of year</b>	<b>3,762,121</b>
Amortisation and impairment losses beginning of year	(1,145,662)
Amortisation for the year	(423,499)
<b>Amortisation and impairment losses end of year</b>	<b>(1,569,161)</b>
<b>Carrying amount end of year</b>	<b>2,192,960</b>

Intangible assets consist of developed and acquired IT-licences. The assets contain external costs and are appraised with reference to the expected support of the Company's main activity.

## 9 Property, plant and equipment

	Land and buildings DKK	Plant and machinery DKK	Other fixtures and fittings, tools and equipment DKK
Cost beginning of year	36,161,425	50,529,937	6,050,012
Additions	153,450	4,646,388	550,056
Disposals	0	(285,335)	0
<b>Cost end of year</b>	<b>36,314,875</b>	<b>54,890,990</b>	<b>6,600,068</b>
Depreciation and impairment losses beginning of year	(16,181,846)	(35,180,851)	(4,312,969)
Depreciation for the year	(685,819)	(2,842,694)	(748,331)
Reversal regarding disposals	0	285,335	0
<b>Depreciation and impairment losses end of year</b>	<b>(16,867,665)</b>	<b>(37,738,210)</b>	<b>(5,061,300)</b>
<b>Carrying amount end of year</b>	<b>19,447,210</b>	<b>17,152,780</b>	<b>1,538,768</b>
Recognised assets not owned by entity	0	14,684,165	235,717

## 10 Contract work in progress

	2019 DKK	2018 DKK
Contract work in progress	4,101,565	1,495,241
Progress billings regarding contract work in progress	(5,090,795)	(1,156,264)
Transferred to liabilities other than provisions	1,130,984	93,292
	<b>141,754</b>	<b>432,269</b>

## 11 Prepayments

Prepayments comprises accrual of costs.

## 12 Deferred tax

	2019 DKK	2018 DKK
Intangible assets	482,000	569,000
Property, plant and equipment	4,770,383	4,546,000
Inventories	190,000	239,000
Receivables	529,000	272,000
Liabilities other than provisions	(3,017,383)	(3,004,000)
Other taxable temporary differences	0	28,000
<b>Deferred tax</b>	<b>2,954,000</b>	<b>2,650,000</b>

<b>Changes during the year</b>	<b>2019 DKK</b>	<b>2018 DKK</b>
Beginning of year	2,650,000	2,456,000
Recognised in the income statement	304,000	194,000
<b>End of year</b>	<b>2,954,000</b>	<b>2,650,000</b>

### 13 Non-current liabilities other than provisions

	Due within 12 months 2019 DKK	Due within 12 months 2018 DKK	Due after more than 12 months 2019 DKK	Outstanding after 5 years 2019 DKK
Mortgage debt	764,633	764,000	3,036,889	0
Bank loans	797,414	770,000	3,847,326	286,817
Finance lease liabilities	2,856,054	2,349,610	10,859,325	2,513,729
Other payables	0	0	1,248,448	1,248,448
	<b>4,418,101</b>	<b>3,883,610</b>	<b>18,991,988</b>	<b>4,048,994</b>

### 14 Changes in working capital

	<b>2019 DKK</b>	<b>2018 DKK</b>
Increase/decrease in inventories	3,897,923	(510,510)
Increase/decrease in receivables	2,131,216	(2,068,176)
Increase/decrease in trade payables etc	(247,264)	(1,139,065)
Other changes	0	13,003
	<b>5,781,875</b>	<b>(3,704,748)</b>

### **15 Contingent liabilities**

The Entity participates in a Danish joint taxation arrangement in which F. Tindhof Invest ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The total known net liability of the jointly taxed entities under the joint taxation arrangement is evident from the administration company's financial statements.

### **16 Assets charged and collateral**

Mortgage debt is secured by way of mortgage on properties at a carrying DKK 19,447k. The mortgage also comprises the plant and machinery deemed part of the property.

Bank loans are secured by way of a deposited mortgage deed registered to the mortgagor on plant of DKK 10,700k nominal on properties at a carrying amount of DKK 19,447k.

As security for bank loans the company has provided floating charge at nominal value of DKK 3.000k. The security include trade receivables, operating assets, inventory and intangible asset at a carrying amount of DKK 34,892k.

Certain items of plant and machinery as well as other fixtures etc have been financed by means of finance leases. The carrying amount of assets held under finance leases is DKK 14,920k.

### **17 Related parties with controlling interest**

Related parties with controlling interest – F. Tindhof Invest ApS, Bogense owns the majority of the shares of the Entity and thus has control over the Entity.

### **18 Transactions with related parties**

There has not been any transactions on non-market terms.

### **19 Group relations**

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:  
F. Tindhof Invest ApS, Bogense.

# 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.

However, reclassifications have been made within the category property, plant and equipment. These do not affect the income statement or the comparative figures.

## 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 rate in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

## Income statement

### Gross profit or loss

Gross profit or loss comprises revenue, changes in inventories of finished goods, cost of raw materials and consumables and external expenses.

**Revenue**

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

**Changes in inventories of finished goods and work in progress**

Changes in inventories of finished goods and work in progress comprise decreases or increases for the financial year in inventories of finished goods and work in progress. This item includes ordinary writedowns of such inventories. Changes in inventories of raw materials are included in costs of raw materials and consumables.

**Costs of raw materials and consumables**

Costs of raw materials and consumables comprise the consumption of raw materials and consumables for the financial year after adjustment for changes in inventories of these goods from the beginning to the end of the year. This item includes shrinkage, if any, and ordinary writedowns of the relevant inventories.

**Other external expenses**

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

**Staff costs**

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

**Depreciation, amortisation and impairment losses**

Amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

**Other financial income**

Other financial income comprises interest income, including interest income on receivables from group enterprises, net capital gains on securities, payables and transactions in foreign currencies.

**Other financial expenses**

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities.

### 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 Entity is jointly taxed with its parent company. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

### Balance sheet

#### Intellectual property rights etc

Intellectual property rights etc comprise in pro-gress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Licences are amortised over 10 years.

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

#### Property, plant and equipment

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

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation. For assets held under finance leases, cost is the lower of the asset's fair value and present value of future lease payments. development process are recognised in cost based on time spent on each asset.

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

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:

Buildings	20-25 years
Plant and machinery	5-10 years
Other fixtures and fittings, tools and equipment	5 years
Leasehold improvements	3 years

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

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. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation of and impairment losses relating to machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management. Finance costs are not included in cost.

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

**Receivables**

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

**Contract work in progress**

Contract work in progress is measured at the selling price of the work carried out at the balance sheet date.

The selling price is measured based on the stage of completion and the total estimated income from the individual contracts in progress. Usually, the stage of completion is determined as the ratio of actual to total budgeted consumption of resources.

If the selling price of a project in progress cannot be made up reliably, it is measured at the lower of costs incurred and net realisable value.

Each contract in progress is recognised in the balance sheet under receivables or liabilities other than provisions, depending on whether the net value, calculated as the selling price less prepayments received, is positive or negative.

**Prepayments**

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

**Cash**

Cash comprises cash in hand and bank deposits.

**Dividend**

Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity. Extraordinary dividend adopted in the financial year is recognised directly in equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

**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.

**Mortgage debt**

At the time of borrowing, mortgage debt to mortgage credit institutions is measured at cost which corresponds to the proceeds received less transaction costs incurred. Mortgage debt is subsequently measured at amortised cost. This means that the difference between the proceeds at the time of borrowing and the nominal repayable amount of the loan is recognised in the income statement as a financial expense over the term of the loan applying the effective interest method.

**Finance lease liabilities**

Lease commitments 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 commitments 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.

**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.

**Income 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**

The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, inception of finance leases, repayments of interest-bearing debt, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less short-term

bank loans.