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# ***Skiold Landmeco A/S***

Haulundvej 16, DK-6870 Ølgod

## **Annual Report for 1 January - 31 December 2022**

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CVR No 89 52 41 13

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
27/2 2023

Rasmus Sandorff Jacobsen  
Chairman of the General  
Meeting

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# **Management's Statement**

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Skiold Landmeco A/S for the financial year 1 January - 31 December 2022.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2022 of the Company and of the results of the Company operations and cash flows for 2022.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Ølgod, 27 February 2023

## **Executive Board**

Anders Kristian Andersen

## **Board of Directors**

Søren Sandholm Overgaard  
Chairman

Henrik Hilbert Overbye

Rasmus Sandorff Jacobsen

# Independent Auditor's Report

To the Shareholder of Skiold Landmeco 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 2022 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2022 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Skiold Landmeco A/S for the financial year 1 January - 31 December 2022, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies ("the 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 misstate-

# Independent Auditor's Report

ment, 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.

# Independent Auditor's Report

- 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.

Herning, 27 February 2023

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 77 12 31*

Poul Spencer Poulsen  
statsautoriseret revisor  
mne23324

Hans Jørgen Andersen  
statsautoriseret revisor  
mne30211

## **Company Information**

### **The Company**

Skiold Landmeco A/S  
Haulundvej 16  
DK-6870 Ølgod

Telephone: + 45 75 24 55 11

CVR No: 89 52 41 13

Financial period: 1 January - 31 December

Municipality of reg. office: Varde

### **Board of Directors**

Søren Sandholm Overgaard, Chairman  
Henrik Hilbert Overbye  
Rasmus Sandorff Jacobsen

### **Executive Board**

Anders Kristian Andersen

### **Auditors**

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
Platanvej 4  
DK-7400 Herning

## Financial Highlights

Seen over a five-year period, the development of the Company is described by the following financial highlights:

	2022 TDKK	2021 TDKK	2020 TDKK	2019 TDKK	2018 TDKK
<b>Key figures</b>					
<b>Profit/loss</b>					
Operating profit/loss	17.638	25.163	14.716	6.102	10.887
Net financials	99	118	-312	-499	-455
Net profit/loss for the year	13.809	19.712	11.221	4.337	8.080
<b>Balance sheet</b>					
Balance sheet total	79.867	98.817	76.903	61.292	56.843
Equity	46.561	48.002	44.690	33.469	29.132
<b>Cash flows</b>					
Cash flows from:					
- operating activities	4.004	28.274	3.412	5.489	9.562
- investing activities	-7.562	-3.869	-1.971	-5.939	-239
including investment in property, plant and equipment	-6.235	-2.654	2.148	5.865	-239
- financing activities	-4.783	-16.991	-4.549	214	-7.288
Change in cash and cash equivalents for the year	-8.341	7.414	-3.108	-236	2.035
Number of employees	36	37	33	39	38
<b>Ratios</b>					
Return on assets	22,1%	25,5%	19,1%	10,0%	19,2%
Solvency ratio	58,3%	48,6%	58,1%	54,6%	51,2%
Return on equity	29,2%	42,5%	28,7%	13,9%	29,6%



# **Management's Review**

## **Key activities**

The company's activities are the manufacture and sale of mechanical equipment for poultry farming and industry.

## **Development in the year**

In 2022 the Company has been impacted by the war in Ukraine and the global uncertainty that it created which impacted the Company's performance due to scarcity and increased prices on raw materials.

The income statement of the Company shows a profit of TDKK 13,809 with a total equity of TDKK 46,561.

## ***Operating risks***

The Company is exposed to the developments in global steel and polymer prices, as these affect the investment appetite of the Company's customers and the Company's material costs.

## ***Foreign exchange risks***

Currency risk is balanced by selling and buying in the same currency, and occasionally by use of financial instruments for fixed contracts. The Company trades in DKK or EUR.

## **Targets and expectations for the year ahead**

The outlook for 2023 is positive due to the expected benefit of strategic and operational activities implemented in 2021 and 2022, hereunder increase in activity in several newer markets that will contribute positively to the company's earnings.

However, the ongoing war in Ukraine and the continued global uncertainty from this could impact the Company's performance due to scarcity and increased prices on raw materials.

## **Research and development**

To maintain a strong position the Company continually invests in both product development and our people so as to maintain its knowledge leadership.

## **Subsequent events**

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

## Income Statement 1 January - 31 December

	<u>Note</u>	<u>2022</u> TDKK	<u>2021</u> TDKK
<b>Gross profit/loss</b>		<b>40.394</b>	<b>49.226</b>
Staff expenses	1	-20.565	-22.180
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	2	<u>-2.191</u>	<u>-1.883</u>
<b>Profit/loss before financial income and expenses</b>		<b>17.638</b>	<b>25.163</b>
Financial income	3	496	351
Financial expenses	4	<u>-397</u>	<u>-233</u>
<b>Profit/loss before tax</b>		<b>17.737</b>	<b>25.281</b>
Tax on profit/loss for the year	5	<u>-3.928</u>	<u>-5.569</u>
<b>Net profit/loss for the year</b>		<b><u>13.809</u></b>	<b><u>19.712</u></b>
 <b>Proposed distribution of profit</b>			
Proposed dividend for the year		6.000	15.250
Transfer for the year to other reserves		910	1.000
Retained earnings		<u>6.899</u>	<u>3.462</u>
		<b><u>13.809</u></b>	<b><u>19.712</u></b>

# Balance Sheet 31 December

## Assets

	Note	2022 TDKK	2021 TDKK
Acquired patents		255	125
Development projects in progress		2.449	1.282
<b>Intangible assets</b>	6	<b>2.704</b>	<b>1.407</b>
Land and buildings		23.646	23.965
Plant and machinery		8.019	1.656
Other fixtures and fittings, tools and equipment		1.353	1.839
Property, plant and equipment in progress		0	1.482
<b>Property, plant and equipment</b>	7	<b>33.018</b>	<b>28.942</b>
Other investments		25	25
<b>Fixed asset investments</b>	8	<b>25</b>	<b>25</b>
<b>Fixed assets</b>		<b>35.747</b>	<b>30.374</b>
<b>Inventories</b>	9	<b>31.676</b>	<b>38.043</b>
Trade receivables		6.576	6.708
Receivables from group enterprises		5.555	15.275
Other receivables		111	672
Prepayments	10	169	108
<b>Receivables</b>		<b>12.411</b>	<b>22.763</b>
<b>Current asset investments</b>	11	<b>8</b>	<b>8</b>
<b>Cash at bank and in hand</b>		<b>25</b>	<b>7.629</b>
<b>Currents assets</b>		<b>44.120</b>	<b>68.443</b>
<b>Assets</b>		<b>79.867</b>	<b>98.817</b>

# Balance Sheet 31 December

## Liabilities and equity

	Note	2022 TDKK	2021 TDKK
Share capital		2.000	2.000
Reserve for development costs		1.910	1.000
Retained earnings		36.651	29.752
Proposed dividend for the year		6.000	15.250
<b>Equity</b>		<b>46.561</b>	<b>48.002</b>
Provision for deferred tax	13	1.407	1.313
<b>Provisions</b>		<b>1.407</b>	<b>1.313</b>
Mortgage loans		3.257	3.709
Lease obligations		453	117
Other payables		866	849
<b>Long-term debt</b>	14	<b>4.576</b>	<b>4.675</b>
Mortgage loans	14	452	450
Credit institutions		738	0
Lease obligations	14	139	58
Prepayments received from customers		7.346	11.897
Trade payables		10.164	19.559
Payables to group enterprises		2.601	2.500
Corporation tax		3.833	5.401
Other payables	14	2.050	4.962
<b>Short-term debt</b>		<b>27.323</b>	<b>44.827</b>
<b>Debt</b>		<b>31.899</b>	<b>49.502</b>
<b>Liabilities and equity</b>		<b>79.867</b>	<b>98.817</b>
Distribution of profit	12		
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## Statement of Changes in Equity

	Share capital	Reserve for development costs	Retained earnings	Proposed dividend for the year	Total
	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	2.000	1.000	29.752	15.250	48.002
Ordinary dividend paid	0	0	0	-15.250	-15.250
Development costs for the year	0	910	0	0	910
Net profit/loss for the year	0	0	6.899	6.000	12.899
<b>Equity at 31 December</b>	<b>2.000</b>	<b>1.910</b>	<b>36.651</b>	<b>6.000</b>	<b>46.561</b>

## Cash Flow Statement 1 January - 31 December

	Note	2022 TDKK	2021 TDKK
Net profit/loss for the year		13.809	19.712
Adjustments	15	6.020	7.333
Change in working capital	16	-10.526	4.393
<b>Cash flows from operating activities before financial income and expenses</b>		<b>9.303</b>	<b>31.438</b>
Financial income		1	1
Financial expenses		101	117
<b>Cash flows from ordinary activities</b>		<b>9.405</b>	<b>31.556</b>
Corporation tax paid		-5.401	-3.282
<b>Cash flows from operating activities</b>		<b>4.004</b>	<b>28.274</b>
Purchase of intangible assets		-1.372	-1.283
Purchase of property, plant and equipment		-6.235	-2.654
Sale of property, plant and equipment		45	68
<b>Cash flows from investing activities</b>		<b>-7.562</b>	<b>-3.869</b>
Repayment of mortgage loans		-450	-450
Repayment of loans from credit institutions		0	-85
Reduction of lease obligations		-137	-56
Change of payables to group enterprises		10.500	0
Lease obligations incurred		554	0
Dividend paid		-15.250	-16.400
<b>Cash flows from financing activities</b>		<b>-4.783</b>	<b>-16.991</b>
<b>Change in cash and cash equivalents</b>		<b>-8.341</b>	<b>7.414</b>
Cash and cash equivalents at 1 January		7.637	223
<b>Cash and cash equivalents at 31 December</b>		<b>-704</b>	<b>7.637</b>
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		25	7.629
Current asset investments		8	8
Overdraft facility		-737	0
<b>Cash and cash equivalents at 31 December</b>		<b>-704</b>	<b>7.637</b>

# Notes to the Financial Statements

	2022	2021
	TDKK	TDKK
<b>1 Staff expenses</b>		
Wages and salaries	18.105	19.007
Pensions	2.086	2.187
Other social security expenses	240	224
Other staff expenses	1.247	762
	<b>21.678</b>	<b>22.180</b>
Activated salaries	-1.113	0
	<b>20.565</b>	<b>22.180</b>
<b>Average number of employees</b>	<b>36</b>	<b>37</b>
Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.		
<b>2 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment</b>		
Amortisation of intangible assets	76	42
Depreciation of property, plant and equipment	2.130	1.761
Gain and loss on disposal	-15	80
	<b>2.191</b>	<b>1.883</b>
<b>3 Financial income</b>		
Interest received from group enterprises	496	350
Other financial income	0	1
	<b>496</b>	<b>351</b>
<b>4 Financial expenses</b>		
Interest paid to group enterprises	100	0
Other financial expenses	297	233
	<b>397</b>	<b>233</b>

## Notes to the Financial Statements

	2022 <u>TDKK</u>	2021 <u>TDKK</u>
<b>5 Tax on profit/loss for the year</b>		
Current tax for the year	3.833	5.401
Deferred tax for the year	95	168
	<u><b>3.928</b></u>	<u><b>5.569</b></u>
<b>6 Intangible assets</b>		
	Acquired pa- tents	Development projects in progress
	<u>TDKK</u>	<u>TDKK</u>
Cost at 1 January	209	1.282
Additions for the year	206	1.167
Cost at 31 December	<u>415</u>	<u>2.449</u>
Impairment losses and amortisation at 1 January	84	0
Amortisation for the year	76	0
Impairment losses and amortisation at 31 December	<u>160</u>	<u>0</u>
<b>Carrying amount at 31 December</b>	<u><b>255</b></u>	<u><b>2.449</b></u>

Development projects relates to the development of new motor configurations to comply with UL/CSA standards and a rearing system to comply with EU Regulation 2018/848 and EU Regulation 2020/464.

The development of the new motor configurations began in 2022 and will be sold in USA and Canada markets.

The rearing system is expected to be sold in the present markets to the Company's existing customers but complying with the new legislation. Trough out the development process, the Company inquired its customers as to the need for this rearing system, which was well received.

The projects are expected to be completed in 2023. The projects are progressing according to plan through the use of resources allocated by Management to the development.



## Notes to the Financial Statements

### 7 Property, plant and equipment

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment in progress
	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	27.276	16.534	5.827	1.482
Additions for the year	198	5.936	101	0
Disposals for the year	0	-435	0	0
Transfers for the year	0	1.482	0	-1.482
Cost at 31 December	<u>27.474</u>	<u>23.517</u>	<u>5.928</u>	<u>0</u>
Impairment losses and depreciation at 1 January	3.311	14.878	3.988	0
Depreciation for the year	517	1.026	587	0
Reversal of impairment and depreciation of sold assets	0	-406	0	0
Impairment losses and depreciation at 31 December	<u>3.828</u>	<u>15.498</u>	<u>4.575</u>	<u>0</u>
<b>Carrying amount at 31 December</b>	<b><u>23.646</u></b>	<b><u>8.019</u></b>	<b><u>1.353</u></b>	<b><u>0</u></b>
Depreciated over	<u>50 years</u>	<u>4-10 years</u>	<u>4-15 years</u>	
Including assets under finance leases amounting to	<u>0</u>	<u>717</u>	<u>0</u>	<u>0</u>

### 8 Fixed asset investments

	Other investments
	TDKK
Cost at 1 January	<u>25</u>
Cost at 31 December	<u>25</u>
<b>Carrying amount at 31 December</b>	<b><u>25</u></b>

## Notes to the Financial Statements

	<u>2022</u> TDKK	<u>2021</u> TDKK
<b>9 Inventories</b>		
Raw materials and consumables	24.017	29.403
Finished goods and goods for resale	<u>7.659</u>	<u>8.640</u>
	<b><u>31.676</u></b>	<b><u>38.043</u></b>
<b>10 Prepayments</b>		
Prepayments consist of prepaid expenses concerning subscriptions.		
<b>11 Current asset investments</b>		
Shares	<u>8</u>	<u>8</u>
	<b><u>8</u></b>	<b><u>8</u></b>
<b>12 Distribution of profit</b>		
Proposed dividend for the year	6.000	15.250
Transfer for the year to other reserves	910	1.000
Retained earnings	<u>6.899</u>	<u>3.462</u>
	<b><u>13.809</u></b>	<b><u>19.712</u></b>
<b>13 Provision for deferred tax</b>		
Provision for deferred tax at 1 January	1.313	1.145
Amounts recognised in the income statement for the year	<u>95</u>	<u>168</u>
<b>Provision for deferred tax at 31 December</b>	<b><u>1.407</u></b>	<b><u>1.313</u></b>

# Notes to the Financial Statements

## 14 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	2022 TDKK	2021 TDKK
<b>Mortgage loans</b>		
After 5 years	1.426	1.909
Between 1 and 5 years	1.831	1.800
Long-term part	<u>3.257</u>	<u>3.709</u>
Within 1 year	<u>452</u>	<u>450</u>
	<b><u>3.709</u></b>	<b><u>4.159</u></b>
<b>Lease obligations</b>		
After 5 years	214	0
Between 1 and 5 years	239	117
Long-term part	<u>453</u>	<u>117</u>
Within 1 year	<u>139</u>	<u>58</u>
	<b><u>592</u></b>	<b><u>175</u></b>
<b>Other payables</b>		
Between 1 and 5 years	866	849
Long-term part	<u>866</u>	<u>849</u>
Other short-term payables	<u>2.050</u>	<u>4.962</u>
	<b><u>2.916</u></b>	<b><u>5.811</u></b>
<b>15 Cash flow statement - adjustments</b>		
Financial income	-496	-351
Financial expenses	397	233
Depreciation, amortisation and impairment losses, including losses and gains on sales	2.191	1.882
Tax on profit/loss for the year	<u>3.928</u>	<u>5.569</u>
	<b><u>6.020</u></b>	<b><u>7.333</u></b>

## Notes to the Financial Statements

	2022	2021
	TDKK	TDKK
<b>16 Cash flow statement - change in working capital</b>		
Change in inventories	6.365	-11.576
Change in receivables	-149	-936
Change in trade payables, etc	-16.742	16.905
	<b>-10.526</b>	<b>4.393</b>

### 17 Contingent assets, liabilities and other financial obligations

#### Charges and security

The following assets have been placed as security with mortgage credit institutes:

Land and buildings for which the carrying value is	23.646	23.965
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The following assets have been placed as security with bankers:

Mortgages registered to the owner of DKK 2.450.000, which provide mortgage in land and buildings for which the carrying value is	23.646	23.965
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The following assets have been placed as security with banks:

As security for debt in banks the company has floating charge a nominal amount of DKK 8.000.000. Floating charges includes tangible fixes assets, inventory and trade receivables, as at the balance sheet date has the following values DKK

47.661	50.969
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#### Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

Within 1 year	142	0
Between 1 and 5 years	98	0
	<b>240</b>	<b>0</b>

#### Other contingent liabilities

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of SKIOLD Group A/S, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

# Notes to the Financial Statements

## 18 Related parties

	<u>Basis</u>
<b>Controlling interest</b>	
SKIOLD A/S, CVR-nr. 57081112	Parent Company
Plemont Co-Investment No. 1 Seperate Limited Partnership	Majority shareholder in Parent Company

### Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act. There have been no transactions with the Supervisory Board, the Executive Board, senior officers, significant shareholders, group enterprises or other related parties, except for intercompany transactions on an arm's length basis and normal managements remuneration.

### Consolidated Financial Statements

The company is included in the group report for the parent company

<u>Name</u>	<u>Place of registered office</u>
SKIOLD Group A/S	Sæby, Denmark
SKIOLD A/S	Sæby, Denmark

The Group Annual Report of SKIOLD Group A/S may be obtained at the following address:

SKIOLD Group A/S  
Kjeldgaardsvej 3  
9300 Sæby  
Denmark

The Group Annual Report of SKIOLD A/S may be obtained at the following address:

SKIOLD A/S  
Kjeldgaardsvej 3, 9300 Sæby  
Denmark

# Notes to the Financial Statements

## 19 Accounting Policies

The Annual Report of Skiold Landmeco A/S for 2022 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2022 are presented in TDKK.

### Recognition and measurement

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

Assets are recognised 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 recognised 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.

### Leases

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Company.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

### Translation policies

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 recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

# Notes to the Financial Statements

## 19 Accounting Policies (continued)

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 recognised in financial income and expenses in the income statement.

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

## Income Statement

### Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

### Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

### Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

### Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, expenses for raw materials and consumables and other external expenses.

### Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

### Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

# Notes to the Financial Statements

## 19 Accounting Policies (continued)

### Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

### Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with SKIOLD Group A/S and other Danish enterprises in the associated joint taxation. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

## Balance Sheet

### Intangible assets

Patents and licences are measured at the lower of cost less accumulated amortisation and recoverable amount. Patents are amortised over the remaining patent period, and licences are amortised over the licence period; however not exceeding 5 years.

Costs incurred on development projects comprise salaries, amortisation and other costs which are directly or indirectly attributable to the Company's development activities.

Development projects that are clearly defined and identifiable and in respect of which technical feasibility, sufficient resources and a potential future market or development opportunity in the Company can be demonstrated, and where it is the intention to manufacture, market or use the project, are recognised as intangible assets. This applies if sufficient certainty exists that the value in use of future earnings can cover production costs, selling costs and administrative expenses as well as the development costs.

Development projects that do not qualify for recognition in the balance sheet are recognised as costs in the income statement as incurred.

Capitalised development costs are measured at the lower of cost less accumulated amortisation and impairment loss and the recoverable amount. An amount corresponding to the recognised development costs reduced by tax is allocated to the equity item "Reserve for development costs". The reserve is reduced by amortisation of and impairment losses on the development projects on a continuing basis. Capitalised development costs are amortised as from the date of completion on a straight-line basis over the period during which development work is expected to generate economic benefits.



# Notes to the Financial Statements

## 19 Accounting Policies (continued)

### Property, plant and equipment

Property, plant 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 recognised in cost over the period of construction.

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:

Production buildings	50 years
Plant and machinery	4-10 years
Other fixtures and fittings, tools and equipment	4-15 years

Depreciation period and residual value are reassessed annually.

### Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

### Fixed asset investments

Investments which are not traded in an active market are measured at the lower of cost and recoverable amount.

### Inventories

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

The net realisable 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 realisable 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.

# Notes to the Financial Statements

## 19 Accounting Policies (continued)

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour 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 in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

### **Prepayments**

Prepayments comprise prepaid expenses concerning subscriptions.

### **Current asset investments**

Current asset investments, which consist of listed bonds and shares, are measured at their fair values at the balance sheet date. Fair value is determined on the basis of the latest quoted market price.

Investments which are not traded in an active market are measured at the lower of cost and recoverable amount.

### **Equity**

#### ***Dividend***

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

### **Deferred tax assets and liabilities**

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 realised, 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 crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

# Notes to the Financial Statements

## 19 Accounting Policies (continued)

### **Current tax receivables and liabilities**

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

### **Financial debts**

Loans, such as mortgage loans and loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Mortgage loans are measured at amortised cost, which for cash loans corresponds to the remaining loan. Amortised cost of debenture loans corresponds to the remaining loan calculated as the underlying cash value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the loan made over the term of the loan at the date of raising the loan.

Other debts are measured at amortised cost, substantially corresponding to nominal value.

## **Cash Flow Statement**

The cash flow statement shows the Company's cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Company's cash and cash equivalents at the beginning and end of the year.

### **Cash flows from operating activities**

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

### **Cash flows from investing activities**

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

### **Cash flows from financing activities**

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

## Notes to the Financial Statements

### 19 Accounting Policies (continued)

#### Cash and cash equivalents

Cash and cash equivalents comprise

The cash flow statement cannot be immediately derived from the published financial records.

#### Financial Highlights

##### Explanation of financial ratios

Return on assets	$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$