

Ellegaard Group A/S

Vennershåbvej 4, 8800 Viborg
CVR no. 18 66 06 44

Annual report for 2024

Årsrapporten er godkendt på den
ordinære generalforsamling, d. 06.03.25

Kim Bach Jensen
Dirigent

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The company

Ellegaard Group A/S
Vennershåbvej 4
8800 Viborg
CVR no.: 18 66 06 44
Financial year: 01.01 - 31.12

Executive Board

Peter Brøndum Jensen

Board of directors

Jesper Peer Ellegaard
Kim Bach Jensen
Thomas Aagaard

Auditors

Beierholm
Godkendt Revisionspartnerselskab

Parent company

OXPO Holding ApS, Roskilde

Statement by the Executive Board and Board of directors on the annual report

We have on this day presented the annual report for the financial year 01.01.24 - 31.12.24 for Ellegaard Group A/S.

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 company's assets, liabilities and financial position as at 31.12.24 and of the results of the company's activities and cash flows for the financial year 01.01.24 - 31.12.24.

We believe that the management's review includes a fair review of the matters dealt with in the management's review.

The annual report is submitted for adoption by the general meeting.

Viborg, March 6, 2025

Executive Board

Peter Brøndum Jensen

Board of directors

Jesper Peer Ellegaard

Kim Bach Jensen

Thomas Aagaard

To the shareholders of Ellegaard Group A/S**Opinion**

We have audited the financial statements of Ellegaard Group A/S for the financial year 01.01.24 - 31.12.24, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes to the financial statements, including material accounting policy information. 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 company's financial position at 31.12.24 and of the results of the company's operations and cash flows for the financial year 01.01.24 - 31.12.24 in accordance with the Danish Financial Statements Act.

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.

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the

planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the management's review

Management is responsible for the management's review.

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

In connection with our audit of the financial statements, it is 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 by law and regulations.

Based on the work we have performed, we conclude that the management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of Danish Financial Statements Act. We did not identify any material misstatement of the management's review.

Næstved, March 6, 2025

Beierholm

Godkendt Revisionspartnerselskab
CVR no. 32 89 54 68

Jørgen Stegmann
State Authorised Public Accountant
MNE-no. mne11738

Rickard Halfdan Patel
State Authorised Public Accountant
MNE-no. mne33780

FINANCIAL HIGHLIGHTS**Key figures**

Figures in DKK '000	2024	2023	2022	2021	2020
<i>Profit/loss</i>					
Operating profit/loss	2,018	-49	1,137	1,701	5,175
Index	39	-1	22	33	100
Total net financials	-1,164	-821	-359	738	-313
Profit/loss for the year	513	-784	545	2,322	3,332
<i>Balance</i>					
Total assets	44,760	43,252	45,359	37,948	29,648
Investments in property, plant and equipment	403	3,006	2,997	489	244
Equity	10,713	10,199	10,983	10,938	10,366

Ratios

	2024	2023	2022	2021	2020
<i>Profitability</i>					
Return on equity	5%	-7%	5%	22%	38%
<i>Equity ratio</i>					
Solvency ratio	24%	24%	24%	29%	35%
<i>Others</i>					
Number of employees (average)	65	70	73	58	58

Ratios definitions

Return on equity:	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$
Solvency ratio:	$\frac{\text{Equity, end of year} \times 100}{\text{Total assets}}$

Primary activities

The company's activities consist of the production, sale, and service of components for transport and industrial plants, including particularly drum motors, rollers, and conveyor belts in rubber and plastic. Additionally, the company undertakes construction and installation of steel structures in larger industrial plants with special requirements for welding certification.

Development in activities and financial affairs

The income statement for the period 01.01.24 - 31.12.24 shows a profit/loss of DKK 513,424 against DKK -783,756 for the period 01.01.23 - 31.12.23. The balance sheet shows equity of DKK 10,712,506.

The management considers the net profit for the year to be less satisfactory.

The company has maintained its revenue at the same level as the previous year, despite challenges in several of its business areas. However, low-margin contract work and significant one-time expenses related to the implementation of a new ERP system and necessary organizational restructuring have impacted earnings. As a result, the company did not meet its earnings expectations for 2024, which initially projected a pre-tax profit of DKK 5 million. Nevertheless, the investment in the new ERP system is a strategic step towards improving efficiency, scalability, and long-term profitability. The company views 2025 as a foundational year, setting the stage for stronger financial performance in the coming years.

Outlook

The company expects a positive pre-tax profit in the range of DKK 6-8 million for the coming year.

Financial risks

As a result of its operations, investments, and financing, the company is exposed to financial risks. The company does not use financial instruments to manage these risks.

Price risks

The company is exposed to commodity price risks, as the company's products contain various raw materials which are subject to fluctuating prices, primarily steel and aluminium. Commodity price risks are not hedged. Previously, the impact on the company's results has been limited, as price fluctuations of the most important raw materials used are primarily passed on to the company's selling prices.

Foreign currency risks

The company is exposed to foreign currency risks primarily from EUR, GBP and USD due to purchase and sales transactions that are settled in currencies other than DKK.

Interest rate risks

The company has a large proportion of variable-rate assets and liabilities and is therefore exposed to interest rate risks.

Research and development activities

There have been no significant development activities in 2024.

Subsequent events

No important events have occurred after the end of the financial year.

Branches abroad

The company has no branches abroad.

Income statement

Note		2024 DKK	2023 DKK
	Gross profit	49,371,404	45,489,340
1	Staff costs	-45,253,275	-43,950,360
	Profit before depreciation, amortisation, write-downs and impairment losses	4,118,129	1,538,980
	Depreciation, amortisation and impairments losses of intangible assets and property, plant and equipment	-2,099,902	-1,587,967
	Operating profit/loss	2,018,227	-48,987
2	Financial income	184,571	271,032
3	Financial expenses	-1,348,461	-1,091,594
	Profit/loss before tax	854,337	-869,549
	Tax on profit or loss for the year	-340,913	85,793
	Profit/loss for the year	513,424	-783,756

4 Proposed appropriation account

ASSETS		31.12.24	31.12.23
		DKK	DKK
Note			
	Acquired rights	2,641,351	407,162
	Goodwill	1,392,826	1,821,386
5	Total intangible assets	4,034,177	2,228,548
	Leasehold improvements	0	28,312
	Other fixtures and fittings, tools and equipment	4,994,965	6,202,720
6	Total property, plant and equipment	4,994,965	6,231,032
7	Deposits	855,308	855,000
7	Other receivables	1,744,000	2,616,000
	Total investments	2,599,308	3,471,000
	Total non-current assets	11,628,450	11,930,580
	Raw materials and consumables	16,313,564	14,460,701
	Work in progress	0	1,065,000
	Prepayments for goods	461,397	233,320
	Total inventories	16,774,961	15,759,021
8	Work in progress for third parties	2,018,339	0
	Trade receivables	13,513,314	14,643,774
12	Deferred tax asset	0	91,356
	Income tax receivable	41,392	41,392
	Other receivables	57,635	400,600
9	Prepayments	476,573	257,812
10	Total receivables	16,107,253	15,434,934
	Cash	249,410	127,132
	Total current assets	33,131,624	31,321,087
	Total assets	44,760,074	43,251,667

EQUITY AND LIABILITIES		31.12.24	31.12.23
Note		DKK	DKK
11	Share capital	1,600,000	1,600,000
	Retained earnings	9,112,506	8,599,082
	Total equity	10,712,506	10,199,082
12	Provisions for deferred tax	432,755	0
	Total provisions	432,755	0
13	Payables to other credit institutions	665,000	1,332,000
13	Lease commitments	2,400,179	2,889,018
13	Other payables	899,541	930,480
13	Deferred income	256,670	320,838
	Total long-term payables	4,221,390	5,472,336
13	Short-term part of long-term payables	1,535,217	1,451,167
	Payables to other credit institutions	14,449,179	14,554,536
	Prepayments received from customers	30,556	0
	Trade payables	6,414,892	4,601,502
	Payables to group enterprises	3,551,639	1,460,955
	Other payables	3,411,940	5,512,089
	Total short-term payables	29,393,423	27,580,249
	Total payables	33,614,813	33,052,585
	Total equity and liabilities	44,760,074	43,251,667
14	Contingent liabilities		
15	Charges and security		
16	Related parties		

Statement of changes in equity

Figures in DKK	Share capital	Retained earnings	Total equity
Statement of changes in equity for 01.01.23 - 31.12.23			
Balance as at 01.01.23	1,600,000	9,382,838	10,982,838
Net profit/loss for the year	0	-783,756	-783,756
Balance as at 31.12.23	1,600,000	8,599,082	10,199,082
Statement of changes in equity for 01.01.24 - 31.12.24			
Balance as at 01.01.24	1,600,000	8,599,082	10,199,082
Net profit/loss for the year	0	513,424	513,424
Balance as at 31.12.24	1,600,000	9,112,506	10,712,506

Cash flow statement

Note	2024 DKK	2023 DKK
Profit/loss for the year	513,424	-783,756
17 Adjustments	3,757,614	1,887,711
Change in working capital:		
Inventories	-1,015,940	-188,553
Receivables	108,017	3,434,465
Trade payables	1,813,390	-1,802,594
Other payables relating to operating activities	-34,012	-1,798,596
Cash flows from operating activities before net financials	5,142,493	748,677
Interest income and similar income received	184,571	285,032
Interest expenses and similar expenses paid	-1,357,526	-1,056,485
Cash flows from operating activities	3,969,538	-22,776
Purchase of intangible assets	-2,236,637	-407,162
Purchase of property, plant and equipment	-402,538	-3,006,466
Sale of property, plant and equipment	0	371,500
Cash flows from investing activities	-2,639,175	-3,042,128
Arrangement of payables to credit institutions	0	932,055
Repayment of payables to credit institutions	-772,357	-667,000
Repayment of lease commitments	-404,789	2,105,042
Repayment of other long-term payables	-30,939	31,466
Cash flows from financing activities	-1,208,085	2,401,563
Total cash flows for the year	122,278	-663,341
Cash, beginning of year	127,132	790,473
Cash, end of year	249,410	127,132
Cash, end of year, comprises:		
Cash	249,410	127,132
Total	249,410	127,132

	2024	2023
	DKK	DKK

1. Staff costs

Wages and salaries	38,555,815	37,185,040
Pensions	4,738,973	4,805,583
Other social security costs	814,027	826,890
Other staff costs	1,144,460	1,132,847
Total	45,253,275	43,950,360

Average number of employees during the year	65	70
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Remuneration for the management:

Remuneration for the Executive Board and Board of Directors	1,753,883	1,825,073
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With reference to section 98b(3) no. 1 of the Danish Financial Statements Act, remuneration for the Executive Board and Board of Directors are summarized for 2024 and 2023, as information would otherwise lead to amounts being shown for a single member of management.

2. Financial income

Interest, group enterprises	0	67,860
Other interest income	448	0
Foreign currency translation adjustments	10,607	0
Other financial income	173,516	203,172
Total	184,571	271,032

	2024	2023
	DKK	DKK

3. Financial expenses

Interest, group enterprises	213,157	158,297
Other interest expenses	1,096,699	871,239
Foreign currency translation adjustments	0	24,477
Other financial expenses	38,605	37,581
Total	1,348,461	1,091,594

4. Proposed appropriation account

Retained earnings	513,424	-783,756
Total	513,424	-783,756

5. Intangible assets

Figures in DKK	Acquired rights	Goodwill
Cost as at 01.01.24	407,162	2,999,941
Additions during the year	2,236,637	0
Cost as at 31.12.24	2,643,799	2,999,941
Amortisation and impairment losses as at 01.01.24	0	-1,178,555
Amortisation during the year	-2,448	-428,560
Amortisation and impairment losses as at 31.12.24	-2,448	-1,607,115
Carrying amount as at 31.12.24	2,641,351	1,392,826

6. Property, plant and equipment

Figures in DKK	Leasehold improvements	Other fixtures and fittings, tools and equipment
Cost as at 01.01.24	3,355,164	17,733,178
Additions during the year	0	402,538
Disposals during the year	-32,707	-2,748,003
Cost as at 31.12.24	3,322,457	15,387,713
Depreciation and impairment losses as at 01.01.24	-3,326,852	-11,530,457
Depreciation during the year	-29,855	-1,639,038
Reversal of depreciation of and impairment losses on disposed assets	34,250	2,776,747
Depreciation and impairment losses as at 31.12.24	-3,322,457	-10,392,748
Carrying amount as at 31.12.24	0	4,994,965
Carrying amount of assets held under finance leases as at 31.12.24	0	3,326,345

7. Non-current financial assets

Figures in DKK	Deposits	Other receivables
Cost as at 01.01.24	855,000	2,616,000
Additions during the year	308	0
Disposals during the year	0	-872,000
Cost as at 31.12.24	855,308	1,744,000
Carrying amount as at 31.12.24	855,308	1,744,000

	31.12.24	31.12.23
	DKK	DKK

8. Work in progress for third parties

Work in progress for third parties	2,018,339	0
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9. Prepayments

Prepaid expenses	476,573	257,812
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Total	476,573	257,812
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10. Receivables

Receivables which fall due for payment more than 1 year after the end of the financial year	872,000	1,744,000
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11. Share capital

The share capital consists of:

	Quantity	Total nominal value DKK
Share capital	16,000	1,600,000

	31.12.24 DKK	31.12.23 DKK
12. Deferred tax		
Deferred tax as at 01.01.24	-91,356	-5,563
Deferred tax recognised in the income statement	524,111	-85,793
Deferred tax as at 31.12.24	432,755	-91,356

13. Long-term payables

Figures in DKK	Repayment first year	Outstanding debt after 5 years	Total payables at 31.12.24	Total payables at 31.12.23
Payables to credit institutions	667,000	0	1,332,000	1,999,000
Lease commitments	868,217	0	3,268,396	3,673,185
Other payables	0	930,480	899,541	930,480
Deferred income	0	0	256,670	320,838
Total	1,535,217	930,480	5,756,607	6,923,503

Deferred income consists of a public subsidy received for a development project.

14. Contingent liabilities*Lease commitments*

The company has concluded lease agreements with terms to maturity of 3-46 months and total lease payments of t.DKK 4,465k. Of this, t.DKK 3,268k constitutes financial leasing, which is included as a liability. The financially leased assets are subject to a purchase obligation of t.DKK 724k.

The company has entered into rental agreements with a termination notice of 6 months. The annual rent amounts to t.DKK 2,254.

14. Contingent liabilities - continued -*Recourse guarantee commitments*

The company has provided joint and unlimited suretyship as security for the affiliated companies' bank commitments. The affiliated companies' debt to the involved credit institutions amounts to t.DKK 5,100k as of the balance sheet date.

Other contingent liabilities

The company is taxed jointly with other companies in the group under OXPO Holding ApS and is proportionally liable for corporate taxes and any obligations to withhold withholding tax on interest, royalties, and dividends for the jointly taxed companies. The liability also includes any subsequent adjustments to the calculated tax liability as a consequence of changes to the joint taxation income, etc.

The company has ongoing warranty and complaint cases regarding customer deliveries, etc. The outcome of pending cases is not expected to affect the company's future financial position.

15. Charges and security

The company has provided a company charge of DKK 11,500k as security for debt to credit institutions. As at 31.12.24, the company charge comprises the following has been provided, covering intangible rights, other plant, operating equipment and inventory, stock inventories, receivables from sales and services, with a amount of DKK 39,317k.

The company has provided a company charge of DKK 3,500k as security for debt to credit institutions. As at 31.12.24, the company charge comprises the following assets has been provide inventories and receivables from sales and services, with a amount of DKK 30,288k.

16. Related parties

Controlling influence	Basis of influence
OXPO Holding ApS, Roskilde Jesper Peer Ellegaard	Ejerskab Ultimative ejer

Related party transactions are not disclosed, as all transactions are entered into in the ordinary course of business at arms' length.

Remuneration for the management is specified in note 1. Staff costs.

The company is included in the consolidated financial statements of the parent OXPO Holding ApS, Roskilde.

	2024 DKK	2023 DKK
17. Adjustments for the cash flow statement		
Other operating income	0	-234,847
Depreciation, amortisation and impairments losses of intangible assets and property, plant and equipment	2,099,902	1,587,967
Financial income	-184,571	-271,032
Financial expenses	1,348,461	1,091,594
Tax on profit or loss for the year	340,913	-85,793
Other adjustments	152,909	-200,178
Total	3,757,614	1,887,711

18. Accounting policies

GENERAL

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act (*Årsregnskabsloven*) for medium-sized enterprises in reporting class C.

The accounting policies have been applied consistently with previous years.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including depreciation, amortisation, impairment losses and write-downs, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company, and the value of such assets can be measured reliably. Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company, and the value of such liabilities can be measured reliably. On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

On recognition and measurement, account is taken of foreseeable losses and risks arising before the date at which the annual report is presented and proving or disproving matters arising on or before the balance sheet date.

CURRENCY

The annual report is presented in Danish kroner (DKK).

On initial recognition, transactions denominated in foreign currencies are translated using the exchange rates applicable at the transaction date. Exchange rate differences between the exchange rate applicable at the transaction date and the exchange rate at the date of payment are recognised in the income statement as a financial item. Receivables, payables and other monetary items denominated in foreign currencies are translated using the exchange rates applicable at the balance sheet date. The difference between the exchange rate applicable at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest annual report is recognised under financial income or expenses in the income statement. Fixed assets, inventories and other non-monetary assets acquired in foreign currencies are translated using historical exchange rates.

18. Accounting policies - continued -**LEASES**

Leases relating to assets where the company has substantially all the risks and benefits incidental to the ownership of the asset (finance leases) are recognised in the balance sheet. On initial recognition, assets held under finance leases and related lease commitments are measured at the lower of the fair value of the leased asset and the present value of future lease payments. Subsequently, assets held under finance leases are treated like other similar assets.

Lease commitments relating to assets held under finance leases are recognised in the balance sheet as payables. Subsequent to initial recognition, lease commitments are measured at amortised cost according to which the interest element of the lease payment is recognised in the income statement over the lease term.

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

GRANTS

Grants are recognised when there is reasonable certainty that the grant conditions have been met and that the grant will be received.

Grants received for the production or construction of assets are recognised as deferred income under payables. For depreciable and amortisable assets, the grant is recognised as the asset is depreciated or amortised.

INCOME STATEMENT**Gross profit**

Gross profit comprises revenue, other operating income and raw materials and consumables and other external expenses.

Revenue

Income from the sale of goods is recognised in the income statement if delivery has taken place and the risk has passed to the buyer before the end of the financial year and where the selling price can be determined reliably and is expected to be paid. Revenue is measured at fair value and is determined exclusive of VAT and other taxes collected on behalf of third parties and less discounts.

18. Accounting policies - continued -

Income from the sale of services is recognised in the income statement in line with completion of services, which means that revenue corresponds to the selling price of the work performed for the year stated on the basis of the stage of completion at the balance sheet date (percentage of completion method).

Income from construction contracts involving the delivery of highly customised assets are recognised in the income statement as revenue according to the stage of completion. Accordingly, revenue corresponds to the selling price of work performed during the year (percentage of completion method).

Other operating income

Other operating income comprises income of a secondary nature in relation to the enterprise's activities, including rental income, negative goodwill and gains on the sale of intangible assets and property, plant and equipment.

Costs of raw materials and consumables

Costs of raw materials and consumables comprise raw materials and consumables used for the year as well as any changes in inventories, including any inventory wastage.

Write-downs of inventories of raw materials and consumables are also recognised under raw materials and consumables to the extent that these do not exceed normal write-downs.

Other external expenses

Other external expenses comprise costs relating to distribution, sales and advertising and administration, premises and bad debts to the extent that these do not exceed normal write-downs.

Staff costs

Staff costs comprise wages and salaries as well as other staff-related costs.

Depreciation, amortisation and impairment losses

The depreciation and amortisation of intangible assets and property, plant and equipment aim at systematic depreciation and amortisation over the expected useful lives of the assets. Assets are depreciated and amortised according to the straight-line method based on the following expected useful lives and residual values:

18. Accounting policies - continued -

	Useful lives, years	Residual value, per cent
Acquired rights	3-6	0
Goodwill	7	0
Leasehold improvements	5-10	0
Other plant, fixtures and fittings, tools and equipment	3-10	0

Goodwill is amortised over 7 years. The useful life has been determined in consideration of the expected future net earnings of the enterprise or activity to which the goodwill relates.

The basis of depreciation and amortisation is the cost of the asset less the expected residual value at the end of the useful life. Moreover, the basis of depreciation and amortisation is reduced by any impairment losses. The useful life and residual value are determined when the asset is ready for use and reassessed annually.

Intangible assets and property, plant and equipment are impaired in accordance with the accounting policies referred to in the 'Impairment losses on fixed assets' section.

Other net financials

Interest income and interest expenses, the interest element of finance lease payments, foreign exchange gains and losses on transactions denominated in foreign currencies etc. are recognised in other net financials.

Tax on profit/loss for the year

The current and deferred tax for the year is recognised in the income statement as tax on the profit/loss for the year with the portion attributable to the profit/loss for the year, and directly in equity with the portion attributable to amounts recognised directly in equity.

The company is jointly taxed with Danish consolidated enterprises.

In connection with the settlement of joint taxation contributions, the current Danish income tax is allocated between the jointly taxed enterprises in proportion to their taxable incomes. This means that enterprises with a tax loss receive joint taxation contributions from enterprises which have been able to use this loss to reduce their own taxable profit.

18. Accounting policies - continued -**BALANCE SHEET****Intangible assets***Acquired rights*

Acquired rights are measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Acquired rights are amortised using the straight-line method based on useful lives, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Goodwill

Goodwill is measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Goodwill is amortised using the straight-line method based on useful lives, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Gains or losses on the disposal of intangible assets

Gains or losses on the disposal of intangible assets are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal.

Property, plant and equipment

Property, plant and equipment comprise leasehold improvements as well as other fixtures and fittings, tools and equipment.

Property, plant and equipment are measured in the balance sheet at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and expenses resulting directly from the purchase until the asset is ready for use. Interest on loans arranged to finance production is not included in the cost.

Property, plant and equipment are depreciated using the straight-line method based on useful lives and residual values, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal less any costs of disposal.

18. Accounting policies - continued -**Impairment losses on fixed assets**

The carrying amount of fixed assets which are not measured at fair value is assessed annually for indications of impairment over and above what is reflected in depreciation and amortisation.

If the company's realised return on an asset or a group of assets is lower than expected, this is considered an indication of impairment.

If there are indications of impairment, an impairment test is conducted of individual assets or groups of assets.

The assets or groups of assets are impaired to the lower of recoverable amount and carrying amount.

The higher of net selling price and value in use is used as the recoverable amount. The value in use is determined as the present value of expected net cash flows from the use of the asset or group of assets as well as expected net cash flows from the sale of the asset or group of assets after the expiry of their useful lives.

Impairment losses are reversed when the reasons for the impairment no longer exist. Impairment losses on goodwill are not reversed.

Inventories

Inventories are measured at cost calculated according to the FIFO-method. Inventories are written down to the lower of cost and net realisable value.

The cost of raw materials and consumables as well as goods for resale is determined as purchase prices plus expenses resulting directly from the purchase.

The cost of manufactured finished goods and work in progress is determined as the value of direct and indirect material and labour costs. Production overheads include indirect material and labour costs as well as maintenance and depreciation of machinery, buildings and equipment used in the production process as well as the costs of factory administration and management. Interest on loans arranged to finance production is not included in the cost.

The net realisable value of inventories is determined as the selling price less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and the expected development in the selling price.

18. Accounting policies - continued -**Receivables**

Receivables are measured at amortised cost, which usually corresponds to the nominal value, less write-downs for bad debts.

Write-downs for bad debts are determined based on an individual assessment of each receivable if there is no objective evidence of individual impairment of a receivable.

Deposits recognised under assets comprise deposits paid to the lessor under leases entered into by the company.

Work in progress for third parties

Work in progress for third parties is measured at the selling price of the work performed less on-account invoicing made for each piece of work in progress.

The selling price is measured according to the stage of completion at the balance sheet date and total expected income from each piece of work in progress. The degree of completion for each piece of work in progress is normally calculated as the ratio between the resources spent and the total budgeted resource consumption. For some work in progress where the resource consumption cannot be used as a basis, the ratio between completed subactivities and the combined subactivities for the individual piece of work in progress is used instead.

When the selling price of a piece of work in progress cannot be determined reliably, the selling price is measured at the lower of costs incurred and net realisable value.

The individual piece of work in progress is recognised under receivables or payables in the balance sheet depending on whether the net value of the selling price less prepayments received is positive or negative.

When it is likely that the total costs of the individual piece of work in progress will exceed total sales income, the total expected loss is recognised as a provision.

Prepayments

Prepayments recognised under assets comprise costs incurred in respect of subsequent financial years.

Cash

Cash includes deposits in bank accounts as well as operating cash.

18. Accounting policies - continued -**Current and deferred tax**

Current tax payable and receivable is recognised in the balance sheet as tax computed on the basis of the taxable income for the year, adjusted for tax paid on account.

Joint taxation contributions payable and receivable are recognised as income tax under receivables or payables in the balance sheet.

Deferred tax liabilities and tax assets are recognised on the basis of all temporary differences between the carrying amounts and tax bases of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is non-amortisable for tax purposes and other items where temporary differences, except for acquisitions, have arisen at the date of acquisition without affecting the net profit or loss for the year or the taxable income. In cases where the tax value can be determined according to different taxation rules, deferred tax is measured on the basis of management's intended use of the asset or settlement of the liability.

Deferred tax assets are recognised, following an assessment, at the expected realisable value through offsetting against deferred tax liabilities or elimination in tax on future earnings.

Deferred tax is measured on the basis of the tax rules and at the tax rates which, according to the legislation in force at the balance sheet date, will be applicable when the deferred tax is expected to crystallise as current tax.

Payables

Long-term payables are measured at cost at the time of contracting such liabilities (raising of the loan). The payables are subsequently measured at amortised cost where capital losses and loan expenses are recognised in the income statement as a financial expense over the term of the payable on the basis of the calculated effective interest rate in force at the time of contracting the liability.

Short-term financial payables are measured at amortised cost, normally corresponding to the nominal value of such payables. Other short-term payables are measured at net realisable value.

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to the time and date of delivery of the agreed product or completion of the agreed service.

18. Accounting policies - continued -**Deferred income**

Deferred income under liabilities comprises payments received in respect of income in subsequent financial years.

CASH FLOW STATEMENT

The cash flow statement is prepared using the indirect method, showing cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities comprise the net profit or loss for the year, adjusted for non-cash operating items, income tax paid and changes in working capital.

Cash flows from investing activities comprise payments in connection with the acquisition and divestment of companies and financial assets as well as the purchase, development, improvement and sale of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise changes in the company's share capital and associated costs and financing from and dividends paid to shareholders as well as the arrangement and repayment of long-term payables. Cash flows from financing activities also comprise finance lease payments.

Cash and cash equivalents at the beginning and end of the year comprise cash and short-term payables to credit institutions.