

# **Stenhøj Hydraulik A/S**

**Sigurd Stenhøj Vej 2, 7150 Barrit**

**Company reg. no. 16 92 62 05**

## **Annual report**

**1 January - 31 December 2024**

The annual report was submitted and approved by the general meeting on the 28 March 2025.

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**Thomas Bechmann**  
Chairman of the meeting

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Notes:

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

## **Management's statement**

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Today, the Board of Directors and the Managing Director have approved the annual report of Stenhøj Hydraulik A/S for the financial year 1 January - 31 December 2024.

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

We consider the chosen accounting policy to be appropriate, and in our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2024 and of the results of the Company's operations for the financial year 1 January – 31 December 2024.

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

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

Barrit, 28 March 2025

### **Managing Director**

Jørgen Jensen

### **Board of directors**

Thomas Bechmann

Lars Taarn Pedersen

Peter Michael Kriklywi

## **Independent auditor's report**

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### **To the Shareholders of Stenhøj Hydraulik A/S**

#### **Opinion**

We have audited the financial statements of Stenhøj Hydraulik A/S for the financial year 1 January - 31 December 2024, which comprise income statement, balance sheet, statement of changes in equity, notes and a summary of significant accounting policies, for the Company. The financial statements are prepared under the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2024, and of the results of the Company's operations for the financial year 1 January - 31 December 2024 in accordance with the Danish Financial Statements Act.

#### **Basis for conclusion**

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

#### **Management's Responsibilities for the Financial Statements**

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

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

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

## **Independent auditor's report**

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

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

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

### **Statement on Management's Review**

Management is responsible for Management's Review.

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

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.

## **Independent auditor's report**

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Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

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

Copenhagen, 28 March 2025

### **BUUS JENSEN**

State Authorised Public Accountants  
Company reg. no. 16 11 90 40

**Ulrik Nørskov**

State Authorised Public Accountant  
mne29456

## **Company information**

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<b>The company</b>	Stenhøj Hydraulik A/S Sigurd Stenhøj Vej 2 7150 Barrit
	Company reg. no. 16 92 62 05
	Established: 1 March 1993
	Domicile:
	Financial year: 1 January - 31 December
<b>Board of directors</b>	Thomas Bechmann Lars Taarn Pedersen Peter Michael Kriklywi
<b>Managing Director</b>	Jørgen Jensen
<b>Auditors</b>	BUUS JENSEN, Statsautoriserede revisorer
<b>Parent company</b>	PP II Invest II ApS

## **Management's review**

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### **Description of key activities of the company**

The company's primary activity is the engineering and manufacturing of production machinery, with a particular focus on hydraulic presses and electromechanical processing machines, both domestically and internationally.

### **Significant changes in the company's activities and financial matters**

There have been no significant changes in activities and financial matters.

Gross profit for the year amounted to DKK 19.809 thousand compared to DKK 17.198 thousand last year. Income from ordinary activities after tax totals DKK 4.007 thousand against DKK 4.993 thousand last year. Management considers the net profit for the year satisfactory.

### **Events occurring after the end of the financial year**

In December 2024, the company's management and shareholders decided that, as of January 1, 2025, the sister company Intelligent Automation A/S, CVR no.: 33 16 73 69, will carry out a tax-free merger with Stenhøj Hydraulik CVR, 16 92 62 05 into which the sister company's activities will be incorporated going forward. The merger will be formally approved at the beginning of the 2025 financial year.

## Income statement 1 January - 31 December

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All amounts in DKK.

<u>Note</u>	<u>2024</u>	<u>2023</u>
<b>Gross profit</b>	<b>19.809.126</b>	<b>17.198.386</b>
Distribution costs	-6.992.594	-5.217.196
Administration expenses	-6.899.813	-5.236.548
<b>Operating profit</b>	<b>5.916.719</b>	<b>6.744.642</b>
Other financial income	307.101	330.199
2 Other financial expenses	-1.001.629	-1.143.544
Financing, net	-694.528	-813.345
<b>Pre-tax net profit or loss</b>	<b>5.222.191</b>	<b>5.931.297</b>
3 Tax on net profit or loss for the year	-1.214.911	-937.943
<b>Net profit or loss for the year</b>	<b>4.007.280</b>	<b>4.993.354</b>
<b>Proposed distribution of net profit:</b>		
Dividend for the financial year	5.000.000	0
Transferred to retained earnings	0	4.993.354
Allocated from retained earnings	-992.720	0
<b>Total allocations and transfers</b>	<b>4.007.280</b>	<b>4.993.354</b>

## Balance sheet at 31 December

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All amounts in DKK.

<u>Note</u>	<u>2024</u>	<u>2023</u>	
<b>Assets</b>			
<b>Non-current assets</b>			
4	Completed development projects, including patents and similar rights arising from development projects	3.239.918	5.060.429
5	Acquired concessions, patents, licenses, trademarks, and similar rights	0	76.667
	Total intangible assets	<u>3.239.918</u>	<u>5.137.096</u>
6	Other fixtures, fittings, tools and equipment	<u>1.347.967</u>	<u>1.854.253</u>
	Total property, plant, and equipment	<u>1.347.967</u>	<u>1.854.253</u>
	<b>Total non-current assets</b>	<b><u>4.587.885</u></b>	<b><u>6.991.349</u></b>
<b>Current assets</b>			
	Raw materials and consumables	7.219.266	4.268.528
	Manufactured goods and goods for resale	1.021.413	255.619
	Prepayments for goods	<u>1.777.060</u>	<u>1.231.829</u>
	Total inventories	<u>10.017.739</u>	<u>5.755.976</u>
	Trade receivables	9.850.311	9.739.425
7	Contract work in progress	3.730.113	6.113.591
	Receivables from group enterprises	3.891.600	4.623.939
	Other receivables	745.675	1.161.308
	Prepayments	<u>212.905</u>	<u>372.921</u>
	Total receivables	<u>18.430.604</u>	<u>22.011.184</u>
	Cash and cash equivalents	<u>14.425.999</u>	<u>987.317</u>
	<b>Total current assets</b>	<b><u>42.874.342</u></b>	<b><u>28.754.477</u></b>
	<b>Total assets</b>	<b><u>47.462.227</u></b>	<b><u>35.745.826</u></b>

## Balance sheet at 31 December

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All amounts in DKK.

<u>Note</u>	<u>2024</u>	<u>2023</u>
<b>Equity and liabilities</b>		
<b>Equity</b>		
Contributed capital	2.510.000	2.510.000
Reserve for development costs	2.527.135	3.947.135
Retained earnings	738.812	311.532
Proposed dividend for the financial year	5.000.000	0
<b>Total equity</b>	<b><u>10.775.947</u></b>	<b><u>6.768.667</u></b>
<b>Provisions</b>		
Provisions for deferred tax	3.922.678	4.048.469
<b>Total provisions</b>	<b><u>3.922.678</u></b>	<b><u>4.048.469</u></b>
<b>Liabilities other than provisions</b>		
Subordinate loan capital	0	3.287.471
Other payables	1.482.826	1.438.241
8 Total long term liabilities other than provisions	<u>1.482.826</u>	<u>4.725.712</u>
Bank loans	0	2.297.179
Prepayments received from customers	117.369	445.437
7 Prepayments received from customers for contract work in progress	17.440.397	7.298.186
Trade payables	8.330.987	5.271.903
Payables to group enterprises	2.786.256	2.390.294
Income tax payable to group enterprises	1.340.702	576.288
Other payables	1.265.065	1.923.691
Total short term liabilities other than provisions	<u>31.280.776</u>	<u>20.202.978</u>
<b>Total liabilities other than provisions</b>	<b><u>32.763.602</u></b>	<b><u>24.928.690</u></b>
<b>Total equity and liabilities</b>	<b><u>47.462.227</u></b>	<b><u>35.745.826</u></b>

**1 Employee issues**

**9 Charges and security**

**10 Contingencies**

**11 Related parties**

## Statement of changes in equity

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All amounts in DKK.

	<u>Contributed capital</u>	<u>Reserve for development costs</u>	<u>Retained earnings</u>	<u>Proposed dividend for the financial year</u>	<u>Total</u>
Equity 1 January 2023	2.510.000	5.367.133	-6.101.820	0	1.775.313
Retained earnings for the year	0	0	4.993.354	0	4.993.354
Development costs	0	-1.419.998	1.419.998	0	0
Equity 1 January 2024	2.510.000	3.947.135	311.532	0	6.768.667
Retained earnings for the year	0	0	-992.720	5.000.000	4.007.280
Development costs	0	-1.420.000	1.420.000	0	0
	<b>2.510.000</b>	<b>2.527.135</b>	<b>738.812</b>	<b>5.000.000</b>	<b>10.775.947</b>

## Notes

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All amounts in DKK.

	<u>2024</u>	<u>2023</u>
<b>1. Employee issues</b>		
Average number of employees	<u>29</u>	<u>28</u>
<b>2. Other financial expenses</b>		
Financial costs, group enterprises	0	8.404
Other financial costs	<u>1.001.629</u>	<u>1.135.140</u>
	<b><u>1.001.629</u></b>	<b><u>1.143.544</u></b>
<b>3. Tax on net profit or loss for the year</b>		
Tax on net profit or loss for the year	1.340.702	576.288
Adjustment of deferred tax for the year	-125.791	782.298
Other taxes	<u>0</u>	<u>-420.643</u>
	<b><u>1.214.911</u></b>	<b><u>937.943</u></b>

## Notes

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All amounts in DKK.

	<u>31/12 2024</u>	<u>31/12 2023</u>
<b>4. Completed development projects, including patents and similar rights arising from development projects</b>		
Cost opening balance	9.102.554	9.102.554
<b>Cost end of period</b>	<b><u>9.102.554</u></b>	<b><u>9.102.554</u></b>
Amortisation and write-down opening balance	-4.042.125	-2.221.614
Amortisation and depreciation for the year	<u>-1.820.511</u>	<u>-1.820.511</u>
<b>Amortisation and write-down end of period</b>	<b><u>-5.862.636</u></b>	<b><u>-4.042.125</u></b>
<b>Carrying amount, end of period</b>	<b><u>3.239.918</u></b>	<b><u>5.060.429</u></b>

The recognition of development projects has been carried out based on the assumption that development costs can be directly allocated to the development project, and that:

- It is technically feasible to complete the development work.
- There is an intention to utilize the fully developed product.
- The ability to apply and sell the fully developed product is present.
- A plan has been prepared for both the development work and subsequent sales.
- Sufficient resources are available to complete the development work.

The company's development projects involve the development of new technology and hardware for machines of the following types: servo presses, reaming machines, and bending machines. In general, the costs include development, patents, and construction to enable the creation of a demonstration model for customers. Regarding the reaming machines, the development focuses on new technology for internal "helical spline" reaming, which is widely used by gear manufacturers in the automotive and industrial production sectors.

The technology developed in these projects has been implemented and has had a positive impact on machine sales, which have increased significantly during the financial year.

Management has high expectations for the completed development projects and their continued use. No indications have been identified that would necessitate an impairment of the recognized accounting value.

## Notes

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All amounts in DKK.

	<u>31/12 2024</u>	<u>31/12 2023</u>
<b>5. Acquired concessions, patents, licenses, trademarks, and similar rights</b>		
Cost opening balance	460.000	460.000
<b>Cost end of period</b>	<b>460.000</b>	<b>460.000</b>
Amortisation and write-down opening balance	-383.333	-291.333
Amortisation and depreciation for the year	-76.667	-92.000
<b>Amortisation and write-down end of period</b>	<b>-460.000</b>	<b>-383.333</b>
<b>Carrying amount, end of period</b>	<b>0</b>	<b>76.667</b>
<b>6. Other fixtures, fittings, tools and equipment</b>		
Cost opening balance	5.397.439	4.935.819
Additions during the year	380.095	461.620
Disposals during the year	-1.551.537	0
<b>Cost end of period</b>	<b>4.225.997</b>	<b>5.397.439</b>
Depreciation and write-down opening balance	-3.543.185	-2.551.038
Amortisation and depreciation for the year	-886.380	-992.148
Depreciation, amortisation and impairment loss for the year, assets disposed of	1.551.535	0
<b>Depreciation and write-down end of period</b>	<b>-2.878.030</b>	<b>-3.543.186</b>
<b>Carrying amount, end of period</b>	<b>1.347.967</b>	<b>1.854.253</b>
<b>7. Contract work in progress</b>		
Selling price of the production for the period	34.401.848	36.219.531
Progress billings	-48.112.132	-37.404.126
<b>Contract work in progress, net</b>	<b>-13.710.284</b>	<b>-1.184.595</b>
The following is recognised:		
Contract work in progress (current assets)	3.730.113	6.113.591
Contract work in progress (prepayments received on account)	-17.440.397	-7.298.186
	<b>-13.710.284</b>	<b>-1.184.595</b>

## Notes

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All amounts in DKK.

### 8. Long term liabilities other than provisions

	<u>Total payables 31 Dec 2024</u>	<u>Current portion of long term payables</u>	<u>Long term payables 31 Dec 2024</u>	<u>Outstanding payables after 5 years</u>
Other payables	1.482.826	0	1.482.826	1.482.826
	<u>1.482.826</u>	<u>0</u>	<u>1.482.826</u>	<u>1.482.826</u>

### 9. Charges and security

As security for the company's obligations to the financial institution, the company has provided a business charge of a nominal amount of DKK 17.500 thousand. The business charge covers the following assets, whose accounting value as of the balance sheet date amounts to:

	<u>DKK in thousands</u>
Inventories	10.018
Trade receivables	9.850
Ongoing projects	3.730
Other receivables and prepayments	4.787
Intangible fixed assets	3.240
Tangible fixed assets	1.348

### 10. Contingencies

#### Contingent liabilities

##### Lease liabilities

The company has entered into lease agreements for operating assets, with total outstanding lease payments amounting to DKK 1.641 thousand at the end of the financial year. Of this amount, DKK 566 thousand is due within one year, while DKK 0 thousand is due in more than five years..

##### Lease Commitments:

The company has entered into a lease agreement with a termination notice period of 12 months, corresponding to a lease commitment of DKK 870 thousand.

##### Warranty commitments and other contingent liabilities:

In connection with ongoing and completed projects, the company's bank has issued payment guarantees totaling DKK 12.396 thousand to third parties.

## Notes

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All amounts in DKK.

### 10. Contingencies (continued)

#### Joint taxation

With Pentaco Partners II A/S, company reg. no 37 04 49 97 as administration company, the company is subject to the Danish scheme of joint taxation and is proportionally liable for tax claims within the joint taxation scheme.

The company is proportionally liable for any obligations to withhold tax on interest, royalties, and dividends of the jointly taxed companies.

The liabilities amount to a maximum amount corresponding to the share of the company capital, which is owned directly or indirectly by the ultimate parent company.

The jointly taxed enterprises' total known net liability to the Danish tax authorities emerges from the financial statements of the administration company.

Any subsequent adjustments of corporate taxes or withholding tax, etc., may result in changes in the company's liabilities.

### 11. Related parties

#### Consolidated financial statements

The company is included in the consolidated financial statements of Pentaco Partners II A/S, Ejgårdsvej 28, 2920 Charlottenlund, CVR-nr. 37 04 49 97.

## **Accounting policies**

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The annual report for Stenhøj Hydraulik A/S has been presented in accordance with the Danish Financial Statements Act regulations concerning reporting class B enterprises. Furthermore, the company has decided to comply with certain rules applying to reporting class C enterprises.

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

### **Recognition and measurement in general**

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

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

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

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

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

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

### **Foreign currency translation**

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

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

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

## **Accounting policies**

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### **Income statement**

#### **Gross profit**

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

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

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

Contract work in progress concerning construction contracts is recognised in the revenue concurrently with the production process. Thus, the revenue corresponds to the selling price of the total yearly production (the production method). The revenue is recognised when the total income and costs of the contract and the stage of completion on the reporting date can be reliably validated and it is deemed probable that the financial benefits will flow to the company.

When the results of a contract cannot be reliably validated, the revenue is recognised solely on a cost basis to the extent that it seems probable that the costs will be recovered.

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

Furthermore, production costs comprise research costs, development costs which do not meet the criteria for capitalisation, and amortisation of capitalised development costs.

Furthermore, provisions for losses on construction contracts are recognised in case of onerous contracts.

#### **Distribution costs**

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

#### **Administration expenses**

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

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

## **Accounting policies**

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

### **Financial income and expenses**

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

### **Tax on net profit or loss for the year**

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

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

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

## **Statement of financial position**

### **Intangible assets**

#### **Development projects, patents, and licences**

Development costs comprise salaries, wages, and amortisation directly attributable to development activities.

Clearly defined and identifiable development projects are recognised as intangible assets provided that they are proven to be technically practicable, that sufficient resources and a potential market or development opportunity exist, and insofar as the intention is to produce, market or utilise the project. It is, however, a condition that the cost can be reliably calculated and that a sufficiently high degree of certainty indicates that future earnings will cover the costs of production, sales, and administration. Other development costs are recognised in the income statement concurrently with their realisation.

Development costs recognised in the statement of financial position are measured at cost less accrued amortisations and write-downs for impairment.

After completion of the development work, capitalised development costs are amortised on a straight-line basis over the estimated useful economic life. The amortisation period is usually 10 years.

## Accounting policies

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Patents and licenses are measured at cost less accrued amortisation. Patents are amortised on a straightline basis over the remaining patent period and licenses are amortised over the contract period, however, for a maximum of 10 years.

Profit and loss from the sale of development projects, patents, and licenses are measured as the difference between the sales price less sales costs and the carrying amount at the time of sale. Profit or loss are recognised in the income statement as other operating income or other operating expenses, respectively.

### Property, plant, and equipment

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

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

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

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

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

Depreciation is done on a straight-line basis according to an assessment of the expected useful life and the residual value of the individual assets:

	Useful life
Other fixtures and fittings, tools and equipment	3-10 years

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

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

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

## **Accounting policies**

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### **Leases**

Leases are regarded as operating leases. Payments in connection with operating leases and other lease agreements are recognised in the income statement for the term of the contract. The company's total liabilities concerning operating leases and lease agreements are recognised under contingencies, etc.

### **Impairment loss relating to non-current assets**

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

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

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

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

### **Inventories**

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

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

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

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

### **Receivables**

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

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

## **Accounting policies**

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Accounts receivable for which there is no objective indication of impairment at the individual level are evaluated at portfolio level for objective indication of impairment. The portfolios are primarily based on the debtors' domicile and credit rating in accordance with the company's and the group's credit risk management policy. Determination of the objective indicators applied for portfolios are based on experience with historical losses.

Impairment losses are calculated as the difference between the carrying amount of accounts receivable and the present value of the expected cash flows, including the realisable value of any securities received. The effective interest rate for the individual account receivable or portfolio is used as the discount rate.

### **Contract work in progress**

Contract work in progress is measured at the selling price of the work performed. The selling price is measured on the basis of the stage of completion on the reporting date and the total expected income from the individual work in progress. The stage of completion is calculated as the share of costs incurred in proportion to the estimated total costs of the individual work in progress.

When the selling price of the individual work in progress cannot be determined reliably, the selling price is measured at the costs incurred or at net realisable value, if this is lower.

The individual work in progress is recognised in the statement of financial position under accounts receivables or liabilities. Net assets consist of the sum of the work in progress, where the selling price of the work performed exceeds invoicing on account. Net liabilities consist of the sum of the work in progress, where invoicing on account exceeds the selling price.

Costs in connection with sales work and the procurement of contracts are recognised in the income statement when incurred.

### **Prepayments**

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

### **Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and on hand.

### **Equity**

#### **Reserve for development costs**

The reserve for development costs comprises recognised development costs less related deferred tax liabilities.

The reserve cannot be used as dividends or for covering losses.

The reserve is reduced or dissolved if the recognised development costs are amortised or abandoned. This is done by direct transfer to the distributable reserves of the equity.

#### **Dividend**

Dividend expected to be distributed for the year is recognised as a separate item under equity.

## **Accounting policies**

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### **Income tax and deferred tax**

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

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

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

According to the rules of joint taxation, Stenhøj Hydraulik A/S is proportionally liable to pay the Danish tax authorities the total income tax, including withholding tax on interest, royalties, and dividends, arising from the jointly taxed group of companies.

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

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

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

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

### **Liabilities other than provisions**

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