H+H Nordics A/S

Skanderborgvej 234 A, st.
8260 Viby J
CVR No. 13427089

Annual report 2023

The Annual General Meeting adopted the annual report on 29.05.2024

Lisbeth Bork
Chairman of the General Meeting

Contents

Entity details

Entity

H+H Nordics A/S

Skanderborgvej 234 A, st.

8260 Viby J

Business Registration No.: 13427089

Registered office: Aarhus

Financial year: 01.01.2023 - 31.12.2023

Board of Directors

Jörg Brinkmann

Andreas Böttger

Bjarne Pedersen

Executive Board

Dorthe Storm

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
2900 Hellerup
CVR No.: 33771231

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of H+H Nordics A/S for the financial year 01.01.2023- 31.12.2023 .

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2023 and of the results of its operations for the financial year 01.01.2023 31.12.2023

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Copenhagen, 29.05.2024

Executive Board

Dorthe Storm

Board of Directors

Jörg Brinkmann **Andreas Böttger**

Bjarne Pedersen

Independent auditor's report

To the shareholder of H+H Nordics 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 2023, and of the results of the Company's operations for the financial year 1 January - 31 December 2023 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of H+H Nordics A/S for the financial year 1 January - 31 December 2023, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("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 the 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 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 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.

- 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.

Hellerup, 29.05.2024

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No. 33 77 12 31

Poul P. Petersen
State Authorised Public Accountant
Identification No (MNE) mne34503

Elise Folkmann
State Authorised Public Accountant
Identification No (MNE) mne49082

Management commentary

Financial highlights

	2023 DKK'000	2022 DKK'000	2021 DKK'000	2020 DKK'000	2019 DKK'000
Key figures					
Gross profit/loss	44,214	53,616	51,639	45,378	38,106
Operating profit/loss	20,867	32,144	31,934	25,300	18,550
Net financials	(259)	(379)	(228)	(232)	(324)
Profit/loss for the year	16,057	24,762	24,719	19,542	14,183
Total assets	58,969	66,260	62,386	52,355	46,137
Equity	22,938	30,881	30,119	24,400	19,839
Ratios					
Return on equity (%)	59.67	81.19	90.68	88.35	65.35
Equity ratio (%)	38.90	46.61	48.28	46.60	43.00

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

Return on equity (%):

$$\frac{\text{Profit/loss for the year} * 100}{\text{Average equity}}$$

Equity ratio (%):

$$\frac{\text{Equity} * 100}{\text{Total assets}}$$

Primary activities

The company's activity comprises sale of autoclaved aerated concrete (AAC) and calcium silicate (CSU) buildings materials, all purchased from H+H Group companies.

Development in activities and finances

Q1 2023 started with high construction activity due to strong order backlog, but in the second half of 2023 the result of inflation and high interest rates impacted the volume from housebuilders significant.

First-time buyers had to postpone their purchase of a home. This meant that H+H Nordics had to focus their sales on the project market, which was largely successful.

Profit/loss for the year in relation to expected developments

The 2022 Annual Report expressed an outlook indicating that 2023 building activity would decrease by approximately 10%. The market downturn was more severe than expected, and therefore the negative growth in revenue ended at 21%. Based on the severe downturn in the market, Management considers the result satisfactory, namely still being profitable with the current market environment.

Uncertainty relating to recognition and measurement

No uncertainties relate to recognition and measurement.

Unusual circumstances affecting recognition and measurement

No unusual events have affected recognition and measurement.

Outlook

2024 earnings is expected to be at the same level as 2023. However, in Q2 2024 there is more optimism to be found among our house builders.

H+H Nordics has also made several good agreements with our dealer customers, and we expect that this will result in good cooperation and increased sales.

The competitive situation is expected to be tough in the current market conditions and our key focus is to continue providing a high service to our customer as a partner in wall building.

Use of financial instruments

Products sold comprises AAC and CSU building blocks used for wall building and pre-cast wall-panel solutions, primarily in the residential new-building segment. The product range also includes more advanced products, such as high-insulating blocks, larger elements and a range of traded goods used for wall building.

Products are primarily sold in connection to private low-risk housing via volume house builders, and to a lesser extent in connection to commercial and industry, public sector housing, renovation and self-build. Consequently, the company is to a large extend exposed towards developments within the new build market.

As a result of its activities, the company is exposed to various financial risks i.e. foreign exchange risks, bad debt exposure and capital structure and cash flow risks.

It is H+H's policy not to speculate in financial risks and opportunities. H+H's financial risk management policy and procedures is thus aimed exclusively at managing the financial risks that are a direct consequence of H+H's Groups activities.

Foreign exchange risks

The company does not engage in non-commercial speculative foreign exchange trades, as this is prohibited as per the H+H financial risk management policy and procedures. All sales are in DKK and purchases of raw materials are EUR, and thus the exposure towards foreign exchange risk is considered low.

Bad debt exposure

Historically, the company has only experienced limited losses on customer receivables. Sales activities are conducted through builders' merchants reducing the associated risk.

Capital structure and cash flow risk

The H+H Group's capital structure contains a Global Cash Pool arrangement supported by individual loans. The company participates in the Global Cash Pool arrangement and the parent company sets limits for all overdraft facilities included herein.

The capital structure is regularly evaluated on the basis of expected cash flows with a view to ensuring an appropriate balance between adequate future financial flexibility and a reasonable return to shareholders.

Knowledge resources

An important part of the company's sales strategy is to provide value-added sales. For us to be able to do so, a highly skilled workforce with extensive engineering- and long-term experience with our product offering are employed.

Value-added sales

We support our customers from the early planning stage and throughout the wall-building process. We aim to be the ideal partner and a one-stop shop for every wall-building project.

Customer value

By understanding our customers, their needs and the industry trends, we help overcome challenges, eliminate waste and manage complexities throughout the wall-building process.

Modern and carbon-friendly products

Our products offer improved indoor climate and energy savings as well as fire resistance and better acoustic insulation between rooms. In addition, the products are long-lasting and can be integrated into a circular economy.

Safe and attractive work environment

Employment and working conditions must be safe, fair and non-discriminatory to attract top talents and support the development and career ambitions of our employees.

Environmental performance

The company is a sales company which activity solely consists of sale of products provided by H+H Group companies. Reference made to the 2023 Annual Report prepared by H+H International A/S comprising the H+H Group with the sustainable efforts and ambitions described from page 49. It can be found at https://www.hplush.com/en/investor-relations/financial-reports

Research and development activities

The company's Research and Development function is managed by the parent company, and the continued product development and offering is secured via a close collaboration between the company, the parent company as well as other group companies. Further to this, national and European standardization work secures method and product properties, which ensures that the product offering by the company fulfills market and regulatory requirements for buildings materials.

Events after the balance sheet date

No events have occurred after the balance sheet date that will have a material effect on the financial position.

Income statement for 2023

	Notes	2023 DKK'000	2022 DKK'000
Gross profit/loss		**44,214**	**53,616**
Staff costs	1	(22,086)	(20,431)
Depreciation, amortisation and impairment losses	2	(1,261)	(1,041)
Operating profit/loss		**20,867**	**32,144**
Other financial income	3	118	140
Other financial expenses	4	(377)	(519)
Profit/loss before tax		**20,608**	**31,765**
Tax on profit/loss for the year	5	(4,551)	(7,003)
Profit/loss for the year	6	**16,057**	**24,762**

Balance sheet at 31.12.2023

Assets

	Notes	2023 DKK'000	2022 DKK'000
Acquired intangible assets		2,520	700
Intangible assets	7	**2,520**	**700**
Land and buildings		579	962
Other fixtures and fittings, tools and equipment		1,166	1,276
Property, plant and equipment in progress		4,962	0
Property, plant and equipment	8	**6,707**	**2,238**
Fixed assets		**9,227**	**2,938**
Manufactured goods and goods for resale		13,737	20,834
Inventories		**13,737**	**20,834**
Trade receivables		19,227	22,397
Receivables from group enterprises	9	15,163	18,837
Deferred tax	10	877	689
Other receivables		337	151
Prepayments	11	395	408
Receivables		**35,999**	**42,482**
Cash		**6**	**6**
Current assets		**49,742**	**63,322**
Assets		**58,969**	**66,260**

Equity and liabilities

	Notes	2023 DKK'000	2022 DKK'000
Contributed capital		400	400
Retained earnings		6,538	6,481
Proposed dividend		16,000	24,000
Equity		**22,938**	**30,881**
Lease liabilities		511	824
Non-current liabilities other than provisions	12	**511**	**824**
Lease liabilities		912	1,063
Trade payables		9,270	9,279
Payables to group enterprises		20,655	20,436
Other payables		4,683	3,777
Current liabilities other than provisions		**35,520**	**34,555**
Liabilities other than provisions		**36,031**	**35,379**
Equity and liabilities		**58,969**	**66,260**

Contingent liabilities	13
Non-arm’s length related party transactions	14
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Statement of changes in equity for 2023

	Contributed capital DKK'000	Retained earnings DKK'000	Proposed dividend DKK'000	Total DKK'000
Equity beginning of year	400	6,481	24,000	30,881
Ordinary dividend paid	0	0	(24,000)	(24,000)
Profit/loss for the year	0	57	16,000	16,057
Equity end of year	**400**	**6,538**	**16,000**	**22,938**

Notes

1 Staff costs

	2023 DKK'000	2022 DKK'000
Wages and salaries	19,980	18,315
Pension costs	1,847	1,862
Other social security costs	259	254
	22,086	**20,431**

Average number of full-time employees	**30**	**32**

With reference to the Danish Financial Statements Act paragraph 98 litra b, no. 3, 2), the Company has chosen not to disclose salary information for Executive Board.

2 Depreciation, amortisation and impairment losses

	2023 DKK'000	2022 DKK'000
Depreciation of property, plant and equipment	1,261	1,041
	1,261	**1,041**

3 Other financial income

	2023 DKK'000	2022 DKK'000
Financial income from group enterprises	99	139
Exchange rate adjustments	19	1
	118	**140**

4 Other financial expenses

	2023 DKK'000	2022 DKK'000
Other interest expenses	41	33
Exchange rate adjustments	336	486
	377	**519**

5 Tax on profit/loss for the year

	2023 DKK'000	2022 DKK'000
Current tax	4,739	6,890
Change in deferred tax	(188)	113
	4,551	**7,003**

6 Proposed distribution of profit and loss

	2023 DKK'000	2022 DKK'000
Ordinary dividend for the financial year	16,000	24,000
Retained earnings	57	762
	16,057	**24,762**

7 Intangible assets

	Acquired intangible assets DKK'000
Cost beginning of year	2,558
Additions	1,820
Cost end of year	**4,378**
Amortisation and impairment losses beginning of year	(1,858)
Amortisation and impairment losses end of year	**(1,858)**
Carrying amount end of year	**2,520**

8 Property, plant and equipment

	Land and buildings DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Property, plant and equipment in progress DKK'000
Cost beginning of year	1,788	3,683	0
Additions	0	816	4,962
Disposals	0	(425)	0
Cost end of year	**1,788**	**4,074**	**4,962**
Depreciation and impairment losses beginning of year	(826)	(2,407)	0
Depreciation for the year	(383)	(878)	0
Reversal regarding disposals	0	377	0
Depreciation and impairment losses end of year	**(1,209)**	**(2,908)**	**0**
Carrying amount end of year	**579**	**1,166**	**4,962**

Lease assets as of 31 December 2023 are recognised as "Land and buildings" for TDKK 206 (2022: TDKK 589) and "Other fixtures and fittings, tools and equipment" for TDKK 1.166 (2022: TDKK 1.276).

9 Receivables from group enterprises

Receivables from affiliated companies TDKK 15.163 (2022: TDKK 18.837) comprise group debt of TDKK 4,738 (2022: TDKK 6.397), offset by a bank deposit of TDKK 19.902 (2022: TDKK 25.234) for an account that is included in a global cash pool arrangement with H+H International A/S.

10 Deferred tax

Changes during the year	2023 DKK'000	2022 DKK'000
Beginning of year	689	802
Recognised in the income statement	188	(113)
End of year	**877**	**689**

Deferred tax assets

H+H Nordics A/S has per 31 December 2023 recognized tax asset of a total of DKK 876 thousand.

11 Prepayments

Prepayments recognised under current assets include expenses occured for the following financial year.

12 Non-current liabilities other than provisions

	Due after more than 12 months 2023 DKK'000
Lease liabilities	511
	511

13 Contingent liabilities

The company is part of the H+H International A/S Group's global cash pool arrangement and is jointly and severally liable, via the self-debt guarantee, for the entire draft. The current feature was DKK 568 million at 31 December 2023 (2022: DKK 315 million).

The company is jointly liable with the parent company for joint registration of VAT.

Liability for joint taxation:

The company is part of a Danish joint taxation system with H+H International A/S as the parent company. Accordingly, the Company is liable under the Company Tax Act, as from 1 July 2012, for any obligations to contain withholding tax on interest, royalties and dividends for the jointly taxed companies.

14 Non-arm’s length related party transactions

In the annual report, only transactions with related parties that have not been carried out on market terms are disclosed.

No such transactions were carried out during the financial year.

15 Group relations

H+H International A/S, Lautrupsgade 7, 5. 2100 København Ø, holds the entire share capital of the company.

H+H Nordics A/S is included in the consolidated financial statements of H+H International A/S. The consolidated financial statements can be obtained at www.hplush.com.

Accounting policies

Reporting class

This annual report has been prepared in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

The recognition and measurement principles from IFRS 15 and IFRS 16 are interpretated. The accounting policies applied to these financial statements are consistent with those applied last year.

Recognition and measurement

The financial statement is presented in DKK and rounded to the nearest DKK 1.000 (similar to previous years).

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement as it is earned, including value adjustments of financial assets and liabilities measured at fair value or amortised cost. In addition, costs incurred in order to achieve the profit for the year, including Depreciation, impairment losses and provisions and reversals as a result of changed accounting estimates of amounts previously recognised in the income statement are recognised.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date.

Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue less cost of sales and external expenses.

With reference to § 32 of the Danish Financial Statements Act, the revenue is not disclosed in the annual report.

Revenue

Revenue is recognised in accordance with IFRS 15. Revenue from contracts for goods are recognised in the income statement when the customer obtains control. Revenue relating to transport services is recognised upon delivery of the goods to an agreed location. Revenue is recognised if the income can be measured reliably and is expected to be received. Revenue is measured net of VAT and duties collected on behalf of third parties. All types of discount and rebate granted are recognised in revenue.

The revenue streams contain of contracts for sale of goods and related transport services. Change of control for contracts for goods are satisfied upon shipment whereby the performance obligation is met instantly. Revenue relating to transport services is recognised upon delivery of the goods to an agreed location whereby the performance obligation is met.

The transaction price is the amount to which the Company expects to be entitled in exchange for the transfer of goods and transport services. The transaction price for delivery of goods and transport services are an integrated part of the contracts and the standalone selling prices are directly observable. Accounting estimates are made for variable considerations which consist of customer rebates and bonusses. These are allocated to the transaction price based on “The most likely amount”-method.

Payment terms mainly comprise of 30 days end of month, hence no significant financing component. Defect products and return pallets can be redelivered and provisions has been recognised accordingly.

Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

Other external expenses

Other external expenses include expenses relating to the Company’s ordinary activities, including expenses for rent, marketing and office supplies. This item also includes writedowns of receivables recognised in current assets.

Staff costs

Staff costs comprise salaries and wages, and social security contributions, pension contributions, etc. for employees of the company.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to tangible and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, and gains and losses from the sale of tangible and intangible assets.

Other financial income

Other financial income comprises of interest rates, exchange gains on securities and transactions in foreign currencies.

Other financial expenses

Financial expenses include interest, exchange losses relating to debt and transactions in foreign currencies under the tax scheme on account, etc. interest also includes interest recognised in relation to lease liabilities under IFRS 16.

Tax on profit/loss for the year

The company is subject to the Danish rules on compulsory co-taxation of the Danish companies of the H+H Group. Subsidiaries are included in the joint taxation from the date of their inclusion in the consolidation in the consolidated financial statements until the date of their consolidation. The Parent Company H+H International A/S is managing the taxation and therefore accounts for all payments of corporation tax with the tax authorities.

The current Danish corporate tax is distributed based on contributions among the jointly taxed companies in proportion to their taxable income. In this connection, companies with a tax deficit receive joint taxation contributions from companies that have been able to use this deficit to reduce their own tax profit.

The tax for the year, which consists of the current corporate tax for the year, the joint taxation contribution for the year and the change in deferred tax – including as a result of changes in tax rates – is recognised in the income statement with the share related to the profit for the year - and in equity with that portion that relates to postings for equity.

Balance sheet

Intangible assets

Intellectual property rights etc. comprise software which is recognised at cost price less accumulated depreciation and impairment losses.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised on a straight-line basis over their remaining duration, and licenses are amortised over the term of the agreement

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

The estimated lifetime of the software is 3-5 years.

Gains or losses on the disposal of intangible fixed assets are calculated as the difference between the selling price reduced by costs incurred by the sale and the carrying amount at the time of sale. Profits or losses are recognised in the income statement under Depreciation.

Intangible fixed assets are written down to their recoverable amount if this is lower than the carrying amount.

Property, plant and equipment

Other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

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

Other fixed and fittings, tools and equipment 2-5 years.

Depreciation period and residual value are revalued annually.

Lease assets

Leases are recognised in accordance with IFRS 16. At the time of conclusion of a lease agreement, a lease debt and a lease asset of equivalent value are recognized, except for lease agreements whose contract period is less than 12 months or for lease assets of low value. The implicit contractual loan interest rate or an incremental loan interest rate is used as a discount rate for the calculation of leasing debt and the corresponding leasing asset.

Lease assets are recognized as Property, plant, and equipment and are measured at cost corresponding to the calculated lease debt on the lease agreement at the time of the agreement plus direct costs. Subsequently, leasing assets are recognized at cost less and less depreciation.

Linear Depreciation is performed over the contract period or expected useful life, depending on which one of the two periods is shortest.

Lease payments relating to lease agreements whose term is less than 12 months or where the lease is of low value are recognized as a linear cost in the income statement over the contract period.

Inventories

Inventories are measured at cost according to the FIFO method. If the net realisable value is lower than the cost price, it is written down to the lower value.

Cost of goods and and consumables includes purchase price plus delivery costs.

The net realisable value of inventories is calculated as a sales sum less costs incurred to effect sales and is determined taking into account marketability, obsolescence and development in the expected sales price.

Receivables

Receivables are measured at amortised cost.

Impairment loss is used to counter losses where an objective indication of a receivable impairment is considered to have occurred. If there is an objective indication that an individual receivable is impaired, Impairment loss is done at an individual level.

Impairment losses are calculated as the difference between the carrying amount of receivables and the present value of the expected cash flows. The effective interest rate for each receivable or portfolio is used as discount rate.

Deferred tax

Tax liabilities and current tax receivable are recognised in the balance sheet as calculated tax on the taxable income of the year, adjusted for tax on previous years' taxable income and for paid on-account taxes.

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset. However, deferred tax is not recognised on temporary differences relating to office properties. In cases where the tax value can be calculated according to different tax rules, deferred tax is measured on the basis of the intended use of the asset or settlement of the liability by management.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Deferred tax is measured on the basis of the tax rules and tax rates which, with the balance sheet date legislation, will apply when the deferred tax is expected to be released as current tax.

Prepayments

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

Cash

Cash comprises cash in hand.

Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity.

Lease liabilities

Leases are recognised in accordance with IFRS 16. Lease liabilities are recognised at the present value of the remaining lease payments at the balance sheet date, discounted by using an incremental loan interest rate for similar assets. Subsequent measurement of the lease obligation results in a corresponding adjustment of the related asset.

Extension or termination options included in the lease agreements are taken into account and recognised if it is certain. All certain future cash flows are used for the recognition of the lease obligations at the time of the lease commencement.

Other financial liabilities

Other financial liabilities are recognised as the proceeds received less transaction costs incurred. In subsequent periods, financial liabilities are measured at amortised cost, equivalent to the capitalised value using the effective interest rate, so that the difference between the proceeds and the nominal value is recognised in the income statement over the loan period.

Other liabilities are measured at net realisable value.

Cash flow statement

Referring to section 86(4) of the Danish Financial Statements Act, the Entity has prepared no cash flow statement as such statement is included in the consolidated cash flow statement of H+H International A/S, Business Reg. No. 49619812.