
Sjølund A/S

Skamlingvejen 146, DK-6093 Sjølund

Annual Report for 1 October 2016 - 30 September 2017

CVR No 10 29 86 44

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
8 /12 2017

Michael R. Skovgaard
Chairman



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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Sjølund A/S for the financial year 1 October 2016 - 30 September 2017.

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

In our opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 30 September 2017 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2016/17.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

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

Kolding, 8 December 2017

Executive Board

Søren Ravn Jensen
CEO

Board of Directors

Michael R. Skovgaard
Chairman

Anders Drejer

Søren Ravn Jensen

Independent Auditor's Report

To the Shareholder of Sjølund A/S

Opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 30 September 2017 and of the results of the Group's and the Parent Company's operations and of consolidated cash flows for the financial year 1 October 2016 - 30 September 2017 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Sjølund A/S for the financial year 1 October 2016 - 30 September 2017, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows ("the Financial Statements").

Basis for opinion

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

Statement on Management's Review

Management is responsible for Management's Review.

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

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

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

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company 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.

Independent Auditor's Report

Management's responsibilities for the Financial Statements

Management is responsible for the preparation of consolidated financial statements and parent company 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 Group's and 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 Group or 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 and the Group'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 Group's and 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

Independent Auditor's Report

audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Trekantområdet, 8 December 2017

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Jan Bunk Harbo Larsen
State Authorised Public Accountant

Henrik Forthoft Lind
State Authorised Public Accountant

Company Information

The Company

Sjølund A/S
Skamlingvejen 146
DK-6093 Sjølund

Telephone: + 45 76991777

Website: www.sjoelund.dk

CVR No: 10 29 86 44

Financial period: 1 October - 30 September

Incorporated: 10 May 1986

Municipality of reg. office: Kolding

Board of Directors

Michael R. Skovgaard, Chairman
Anders Drejer
Søren Ravn Jensen

Executive Board

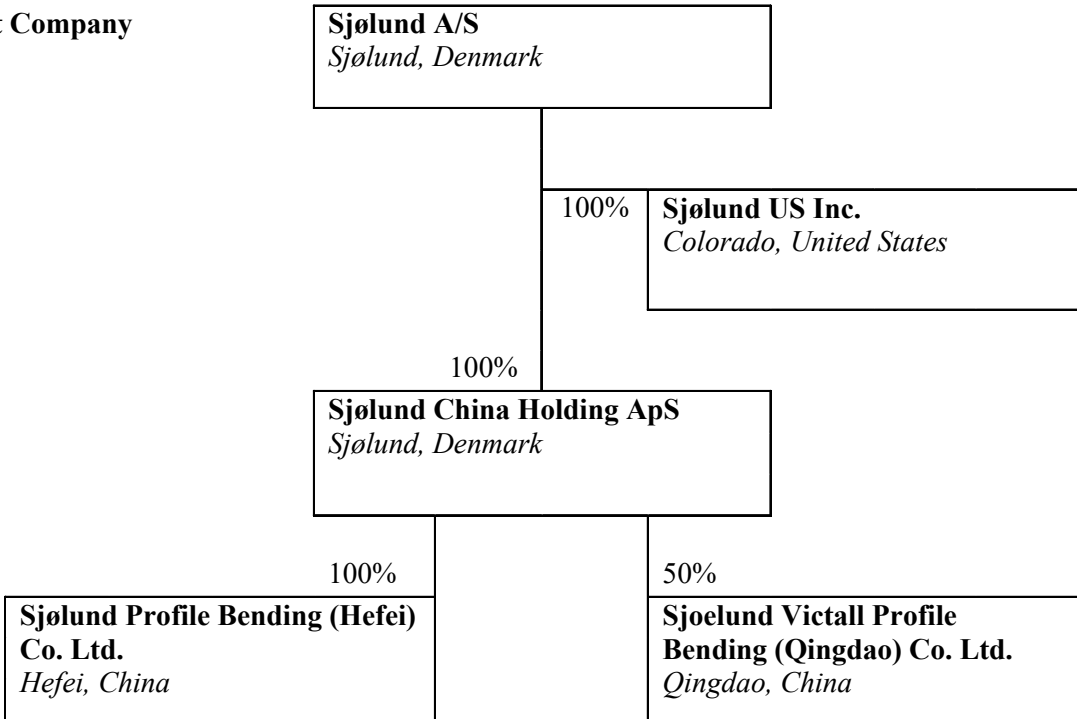
Søren Ravn Jensen

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Herredsvej 32
DK-7100 Vejle

Group Chart

Parent Company



Financial Highlights

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

	Group				
	2016/17 TDKK	2015/16 TDKK	2014/15 TDKK	2013/14 TDKK	2012/13 TDKK
Key figures					
Profit/loss					
Gross profit/loss	89.606	80.931	65.903	41.350	33.684
Profit/loss before financial income and expenses	38.720	34.256	28.169	7.776	3.269
Net financials	-5.317	-1.358	-1.438	-452	-631
Net profit/loss for the year	25.165	25.710	20.977	4.877	1.669
Balance sheet					
Balance sheet total	104.385	96.497	84.635	56.446	38.215
Equity	45.651	31.390	21.332	5.190	1.953
Cash flows					
Cash flows from:					
- operating activities	12.548	27.608	9.629	-1.468	5.474
- investing activities	-895	-8.291	-2.336	-4.604	-793
including investment in property, plant and equipment	-4.366	-8.291	-2.236	-4.604	-793
- financing activities	-5.731	-5.504	-800	2.583	-6.441
Change in cash and cash equivalents for the year	5.922	13.813	6.493	-3.489	-1.760
Number of employees	129	115	108	92	87
Ratios					
Solvency ratio	43,7%	32,5%	25,2%	9,2%	5,1%
Return on equity	65,3%	97,5%	158,2%	136,6%	45,7%

See the description under accounting policies.

Management's Review

Key activities

Sjølund Groups main activity is profile bending, machining and welding of steel and aluminum profiles. We drive to create value for our customers with delivering quality products and innovative solutions.

Development in the year

The income statement of the Group for 2016/17 shows a profit of TDKK 25,165, and at 30 September 2017 the balance sheet of the Group shows equity of TDKK 45,651.

The Group gross profit for the year is realized at 89.503 TDKK. compared to 80.931 TDKK. last year. The result after tax was realized at 25.165 TDKK compared to 25.710 TDKK last year.

At 30 September 2017 the balance sheet of the Group shows an equity of TDKK 45.651.

The result of the operations has been improved due to efficiency and insourcing of activities. This year has been negatively affected by the closing down of the joint venture in Qingdao China. The above are the reasons behind a result after tax on the same level as last year.

The result of the group is by management evaluated as satisfactory.

The past year and follow-up on development expectations from last year

The expectation going into this financial year was that the result would be at the level as last year.

The result as per above is realized at 25.165 TDKK compared to 25.710 TDKK last year which we as the management see as on the same level.

Capital resources

With the presented balance sheet and the expectations for 2017/18 we believe that the company as sufficient capital resources available.

Special risks - operating risks and financial risks

As per the business module of the company there are no special risks both commercially nor financially.

The Group has a currency exposure with regards to fluctuation in USD due to business activities in the US marked.

Targets and expectations for the year ahead

For the year 2017/18 the result is again expected to be at the same level as this year.

Management's Review

External environment

It is the valuation of the management that the environment impact of the activities of the Sjølund Group are limited. All production processes are powered by electricity with rec-certification. The production facility is heated with gas or electricity. Water is only used for sanitary purposes.

Furthermore, the group is certified in accordance with ISO 14001 standard and consequently monitoring and focusing on reduction and optimizing on the environment impact of the activities.

Subsequent events

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

Income Statement 1 October - 30 September

	Note	Group		Parent company	
		2016/17 TDKK	2015/16 TDKK	2016/17 TDKK	2015/16 TDKK
Gross profit/loss		89.606	80.931	78.614	66.531
Staff expenses	1	-46.761	-42.575	-40.562	-37.061
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-4.125	-4.100	-2.763	-3.208
Profit/loss before financial income and expenses		38.720	34.256	35.289	26.262
Income from investments in subsidiaries		0	0	-1.062	5.871
Income from investments in associates		-3.338	-717	0	0
Financial income	2	142	195	277	639
Financial expenses	3	-2.121	-836	-1.920	-1.367
Profit/loss before tax		33.403	32.898	32.584	31.405
Tax on profit/loss for the year	4	-8.238	-7.188	-7.419	-5.695
Net profit/loss for the year		25.165	25.710	25.165	25.710

Distribution of profit

Proposed distribution of profit

Proposed dividend for the year	0	10.000
Reserve for net revaluation under the equity method	-41	1.597
Retained earnings	25.206	14.113
	25.165	25.710

Balance Sheet 30 September

Assets

	Note	Group		Parent company	
		2016/17 TDKK	2015/16 TDKK	2016/17 TDKK	2015/16 TDKK
Machinery		14.097	13.714	7.331	8.583
Other fixtures and fittings, tools and equipment		131	281	131	281
	5	14.228	13.995	7.462	8.864
Investments in subsidiaries	6	0	0	8.607	10.572
Investments in associates	7	0	3.338	0	0
Fixed asset investments		0	3.338	8.607	10.572
Fixed assets		14.228	17.333	16.069	19.436
Raw materials and consumables		11.205	11.335	10.553	10.814
Work in progress		4.638	5.219	4.638	5.219
Finished goods and goods for resale		0	199	0	199
Inventories		15.843	16.753	15.191	16.232
Trade receivables		62.385	48.114	49.788	43.373
Receivables from group enterprises		2.953	4.154	13.330	11.341
Receivables from associates		0	1.409	0	0
Other receivables		719	820	0	0
Deferred tax asset	8	1.447	1.406	747	687
Receivables		67.504	55.903	63.865	55.401
Cash at bank and in hand		6.810	6.508	4.115	26
Currents assets		90.157	79.164	83.171	71.659
Assets		104.385	96.497	99.240	91.095

Balance Sheet 30 September

Liabilities and equity

	Note	Group		Parent company	
		2016/17 TDKK	2015/16 TDKK	2016/17 TDKK	2015/16 TDKK
Share capital		500	500	500	500
Reserve for net revaluation under the equity method		0	0	0	945
Retained earnings		45.151	20.890	45.151	19.945
Proposed dividend for the year		0	10.000	0	10.000
Equity		45.651	31.390	45.651	31.390
Lease obligations		3.621	5.171	3.621	5.171
Long-term debt	9	3.621	5.171	3.621	5.171
Credit institutions		5	5.625	4	5.625
Lease obligations	9	1.550	1.505	1.550	1.505
Trade payables		17.835	24.528	16.666	23.153
Payables to group enterprises		15.341	12.176	15.197	12.012
Corporation tax		2.103	1.875	0	0
Other payables		18.279	14.227	16.551	12.239
Short-term debt		55.113	59.936	49.968	54.534
Debt		58.734	65.107	53.589	59.705
Liabilities and equity		104.385	96.497	99.240	91.095
Contingent assets, liabilities and other financial obligations	12				
Related parties	13				
Accounting Policies	14				

Statement of Changes in Equity

Group

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Proposed dividend for the year	Total
	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 October	500	0	20.890	10.000	31.390
Ordinary dividend paid	0	0	0	-10.000	-10.000
Exchange adjustments relating to foreign entities	0	0	-904	0	-904
Net profit/loss for the year	0	0	25.165	0	25.165
Equity at 30 September	500	0	45.151	0	45.651

Parent company

Equity at 1 October	500	945	19.945	10.000	31.390
Ordinary dividend paid	0	0	0	-10.000	-10.000
Exchange adjustments relating to foreign entities	0	-904	0	0	-904
Net profit/loss for the year	0	-41	25.206	0	25.165
Equity at 30 September	500	0	45.151	0	45.651

Cash Flow Statement 1 October - 30 September

	Note	Group	
		2016/17 TDKK	2015/16 TDKK
Net profit/loss for the year		25.165	25.710
Adjustments	10	13.305	8.523
Change in working capital	11	-16.002	729
Cash flows from operating activities before financial income and expenses		22.468	34.962
Financial income		142	195
Financial expenses		-2.121	-836
Cash flows from ordinary activities		20.489	34.321
Corporation tax paid		-7.941	-6.713
Cash flows from operating activities		12.548	27.608
Purchase of property, plant and equipment		-4.366	-8.291
Fixed asset investments made etc		3.471	0
Cash flows from investing activities		-895	-8.291
Reduction of lease obligations		-1.505	3.861
Repayment of payables to group enterprises		4.365	7.044
Repayment of payables to associates		1.409	-1.409
Dividend paid		-10.000	-15.000
Cash flows from financing activities		-5.731	-5.504
Change in cash and cash equivalents		5.922	13.813
Cash and cash equivalents at 1 October		883	-12.930
Cash and cash equivalents at 30 September		6.805	883
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		6.810	6.508
Overdraft facility		-5	-5.625
Cash and cash equivalents at 30 September		6.805	883

Notes to the Financial Statements

	Group		Parent company	
	2016/17 TDKK	2015/16 TDKK	2016/17 TDKK	2015/16 TDKK
1 Staff expenses				
Wages and salaries	40.946	37.787	35.666	33.084
Pensions	3.189	2.605	3.189	2.605
Other social security expenses	2.626	2.183	1.707	1.372
	46.761	42.575	40.562	37.061
 Including remuneration to the Executive Board and Board of Directors	 1.120	 1.201	 1.120	 1.201
 Average number of employees	 129	 115	 75	 65
 2 Financial income				
Interest received from group enterprises	142	183	277	325
Other financial income	0	12	0	314
	142	195	277	639
 3 Financial expenses				
Interest paid to group enterprises	342	346	337	342
Other financial expenses	1.779	490	1.583	1.025
	2.121	836	1.920	1.367
 4 Tax on profit/loss for the year				
Current tax for the year	8.279	8.003	7.479	5.791
Deferred tax for the year	-41	-815	-60	-96
	8.238	7.188	7.419	5.695

Notes to the Financial Statements

5 Property, plant and equipment

Group

	Machinery TDKK	Other fixtures and fittings, tools and equipment TDKK
Cost at 1 October	66.938	2.326
Exchange adjustment	-70	0
Additions for the year	4.366	0
Cost at 30 September	71.234	2.326
Impairment losses and depreciation at 1 October	53.223	2.045
Exchange adjustment	-60	0
Depreciation for the year	3.974	150
Impairment losses and depreciation at 30 September	57.137	2.195
Carrying amount at 30 September	14.097	131
Including assets under finance leases amounting to	4.783	0

Parent company

	Machinery TDKK	Other fixtures and fittings, tools and equipment TDKK
Cost at 1 October	55.956	2.326
Additions for the year	1.360	0
Kostpris at 30 September	57.316	2.326
Impairment losses and depreciation at 1 October	47.373	2.045
Depreciation for the year	2.612	150
Impairment losses and depreciation at 30 September	49.985	2.195
Carrying amount at 30 September	7.331	131
Including assets under finance leases amounting to	4.783	0

Notes to the Financial Statements

6 Investments in subsidiaries

	Parent company	
	2016/17 TDKK	2015/16 TDKK
Cost at 1 October	9.627	9.620
Additions for the year	0	7
Cost at 30 September	9.627	9.627
Value adjustments at 1 October	945	-4.274
Exchange adjustment	-903	-652
Net profit/loss for the year	-1.062	5.871
Value adjustments at 30 September	-1.020	945
Carrying amount at 30 September	8.607	10.572

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
Sjølund China Holding ApS	Kolding, Denmark	DKK 9.620k	100%
Sjølund US Inc.	Colorado, United States	USD 1k	100%

Notes to the Financial Statements

	Group		Parent company	
	2016/17	2015/16	2016/17	2015/16
	TDKK	TDKK	TDKK	TDKK
7 Investments in associates				
Cost at 1 October	7.727	0	0	0
Additions for the year	0	7.727	0	0
Cost at 30 September	7.727	7.727	0	0
Value adjustments at 1 October	-4.389	0	0	0
Net profit/loss for the year	-3.234	-717	0	0
Elimination of profit on sales on know-how	0	-3.575	0	0
Other adjustments	-104	-97	0	0
Value adjustments at 30 September	-7.727	-4.389	0	0
Carrying amount at 30 September	0	3.338	0	0

Investments in associates are specified as follows:

Name	Place of registered office	Votes and ownership
Sjoelund Victall Profile Bending (Qingdao) Co. Ltd.	Qingdao, China	50%

	Group		Parent company	
	2016/17	2015/16	2016/17	2015/16
	TDKK	TDKK	TDKK	TDKK
8 Deferred tax asset				
Deferred tax asset at 1 October	1.406	591	687	0
Amounts recognised in the income statement for the year	41	815	60	96
Deferred tax asset at 30 September	1.447	1.406	747	687

The recognised tax asset mainly comprises to leasehold improvements and machinery.

Notes to the Financial Statements

9 Lease obligations

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

The debt falls due for payment as specified below:

	Group		Parent company	
	2016/17 TDKK	2015/16 TDKK	2016/17 TDKK	2015/16 TDKK
Lease obligations				
Between 1 and 5 years	3.621	5.171	3.621	5.171
Long-term part	3.621	5.171	3.621	5.171
Within 1 year	1.550	1.505	1.550	1.505
	5.171	6.676	5.171	6.676

10 Cash flow statement - adjustments

	Group	
	2016/17 TDKK	2015/16 TDKK
Financial income	-142	-195
Financial expenses	2.121	836
Depreciation, amortisation and impairment losses, including losses and gains on sales	4.125	4.100
Income from investments in associates	3.338	717
Tax on profit/loss for the year	8.238	7.188
Other adjustments	-4.375	-4.123
	13.305	8.523

11 Cash flow statement - change in working capital

Change in inventories	910	-4.651
Change in receivables	-14.271	5.863
Change in trade payables, etc	-2.641	-483
	-16.002	729

Notes to the Financial Statements

	Group		Parent company	
	2016/17	2015/16	2016/17	2015/16
	TDKK	TDKK	TDKK	TDKK
12 Contingent assets, liabilities and other financial obligations				
Rental and lease obligations				
Lease obligations under operating leases. Total future lease payments:				
Within 1 year	1.013	555	1.013	555
Between 1 and 5 years	313	61	313	61
	1.326	616	1.326	616
Lease commitments, non-cancellation period 9.5 months (3 months for parent company)	1.161	1.148	747	734

Other contingent liabilities

The company has registered a non pledge agreement with the bank.

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

Notes to the Financial Statements

13 Related parties

Basis

Controlling interest

Ravn Jensen Holding ApS

Immediate & Ultimate Parent Company

Consolidated Financial Statements

The Company will be included in the Consolidated Annual Report of its ultimate Parent Company, Ravn Jensen Holding ApS

Name

Place of registered office

Ravn Jensen Holding ApS

Kolding, Denmark

Notes to the Financial Statements

14 Accounting Policies

The Annual Report of Sjølund A/S for 2016/17 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Consolidated and Parent Company Financial Statements for 2016/17 are presented in TDKK.

Recognition and measurement

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

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the maturity period. Amortised cost is calculated as original cost less any repayments and with addition/deduction of the cumulative amortisation of any difference between cost and the nominal amount. In this way, capital losses and gains are allocated over the maturity period.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, Sjølund A/S, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associates.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income

Notes to the Financial Statements

14 Accounting Policies (continued)

and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

The Parent Company's investments in the consolidated subsidiaries are set off against the Parent Company's share of the net asset value of subsidiaries stated at the time of consolidation.

Leases

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

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

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Income Statement

Revenue

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

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of

Notes to the Financial Statements

14 Accounting Policies (continued)

discounts relating to sales.

Expenses for raw materials and consumables

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

Other external expenses

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

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, revenue has not been disclosed in the Annual Report.

Staff expenses

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

Amortisation, depreciation and impairment losses

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

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Group, including gains and losses on the sale of intangible assets and property, plant and equipment.

Income from investments in subsidiaries and associates

The items "Income from investments in subsidiaries" and "Income from investments in associates" in the income statement include the proportionate share of the profit for the year.

Financial income and expenses

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

Notes to the Financial Statements

14 Accounting Policies (continued)

Tax on profit/loss for the year

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

The Company is jointly taxed with Ravn Jensen Holding ApS. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Plant and machinery	5-8 years
Other fixtures and fittings, tools and equipment	3-5 years

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

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

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

Investments in subsidiaries and associates

Investments in subsidiaries and associates are recognised and measured under the equity method.

The items "Investments in subsidiaries" and "Investments in associates" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised inter-

Notes to the Financial Statements

14 Accounting Policies (continued)

company profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

The total net revaluation of investments in subsidiaries and associates is transferred upon distribution of profit to “Reserve for net revaluation under the equity method” under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries and the associates.

Subsidiaries and associates with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Inventories

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

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Dividend

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

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Notes to the Financial Statements

14 Accounting Policies (continued)

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

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

Financial debts

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

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

Cash Flow Statement

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

Cash flows from operating activities

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

Cash flows from investing activities

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

Notes to the Financial Statements

14 Accounting Policies (continued)

Cash flows from financing activities

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

Cash and cash equivalents

Cash and cash equivalents comprise "Cash at bank and in hand" and "Overdraft facilities".

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

Financial Highlights

Explanation of financial ratios

Solvency ratio

$$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$$

Return on equity

$$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$$