Sjølund A/S

Skamlingvejen 146, DK-6093 Sjølund

Annual Report for 1 October 2019 - 30 September 2020

CVR No 10 29 86 44

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 22/12 2020

Finn Mortensen
Chairman of the General Meeting

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Management's Statement

The Executive and Supervisory Boards have today considered and adopted the Annual Report of Sjølund A/S for the financial year 1 October 2019 - 30 September 2020.

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 2020 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2019/20.

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, 22 December 2020

Executive Board

Zoran Aleksic CEO	Finn Nørgaard Mortensen Executive Officer	Christian Østergaard Executive Officer

Supervisory Board

Harald Klaus Becker-Ehmck Chairman	Claudia Meike Martens	Michael Roschmann Skovgaard

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 2020 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 2019 - 30 September 2020 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 2019 - 30 September 2020, 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 Financials 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 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, 22 December 2020
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

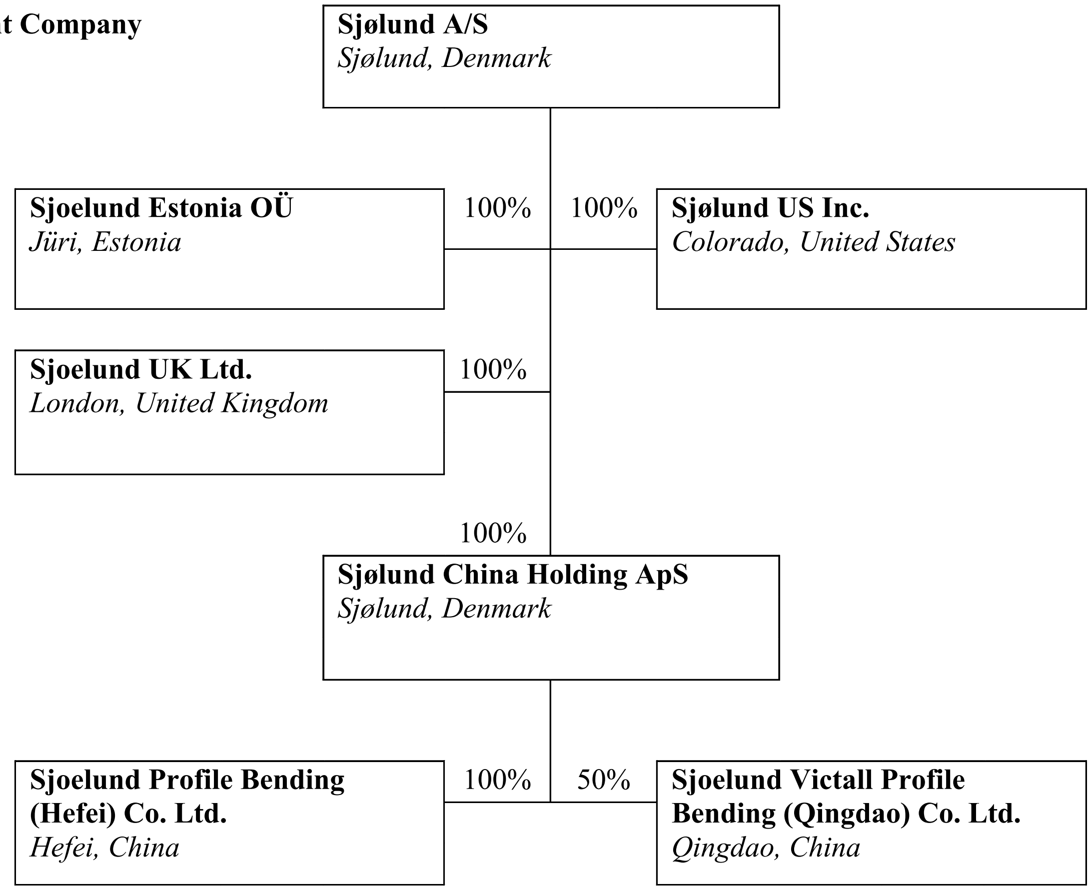
Jan Bunk Harbo Larsen	Henrik Forthoft Lind
State Authorised Public Accountant	State Authorised Public Accountant
mne30224	mne34169

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
Supervisory Board	Harald Klaus Becker-Ehmck, Chairman Claudia Meike Martens Michael Roschmann Skovgaard
Executive Board	Zoran Aleksic Finn Nørgaard Mortensen Christian Østergaard
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				
	2019/20	2018/19	2017/18	2016/17	2015/16
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Gross profit/loss	97.801	106.505	76.439	89.606	80.931
Profit/loss before financial income and expenses	12.513	24.953	28.283	38.720	34.256
Net financials	-3.244	-5.093	-636	-5.317	-1.358
Net profit/loss for the year	6.352	14.675	20.950	25.165	25.710
Balance sheet					
Balance sheet total	178.860	184.275	176.598	104.385	96.497
Equity	55.541	49.353	66.353	45.651	31.390
Cash flows					
Cash flows from:					
- operating activities	-1.975	41.377	26.927	12.548	27.608
- investing activities	-4.546	-6.656	-46.927	-895	-8.291
including investment in property, plant and equipment	-4.253	-6.656	-910	-4.366	-8.291
- financing activities	-13.997	-6.922	47.370	-5.731	-5.504
Change in cash and cash equivalents for the year	-20.518	27.799	27.370	5.922	13.813
Number of employees	201	216	121	129	115
Ratios					
Return on assets	7,0%	13,5%	16,0%	37,1%	35,5%
Solvency ratio	31,1%	26,8%	37,6%	43,7%	32,5%
Return on equity	12,1%	25,4%	37,4%	65,3%	97,5%

See the description under accounting policies.

Management's Review

Key activities

Sjølund Group's 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 2019/20 shows a profit of TDKK 6,352, and at 30 September 2020 the balance sheet of the Group shows equity of TDKK 55,541.

The main reasons for the decrease in result is:

- Continued long sale-in period in 2 of the segments/markets highly effected by COVID-19. The cost to develop the sales as been incurred in the financial year but the increase in activity/sales has been materializing fare slower than excepted.

- High competition in wind segment resulting in reduced margin and continued underutilization of facility in Estonia.

The result of the group is by management evaluated as unsatisfactory considering the marked development.

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 a significantly higher level than the year before. The result for 2019/20 is realized at TDKK 6,352 compared to TDKK 14,675 last year which is below expectations as per last financial report. This is due to decrease in activity and development of segments as mentioned above.

Capital resources

With the presented balance sheet and the expectations for 2020/21 we believe that the company has sufficient capital resources available

Special risks - operating risks and financial risks

Foreign exchange risks

As per the business model of the company there are no special risks neither commercially nor financially.

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

Management's Review

Targets and expectations for the year ahead

For the year 2020/21 the result is expected to be at the same level as 2018/19. This is based on a high orderbook and very promising sales-pipeline going into the financial year 2020/21.

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 reccertification. The production facility it 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.

Income Statement 1 October - 30 September

	Note	Group		Parent company	
		2019/20	2018/19	2019/20	2018/19
		TDKK	TDKK	TDKK	TDKK
Gross profit/loss		**97.801**	**106.505**	**63.386**	**68.169**
Staff expenses	2	-75.904	-70.790	-45.496	-41.063
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-9.384	-10.762	-1.941	-2.435
Profit/loss before financial income and expenses		**12.513**	**24.953**	**15.949**	**24.671**
Income from investments in subsidiaries		0	0	-3.396	-1.010
Financial income	3	953	452	676	740
Financial expenses	4	-4.197	-5.545	-4.016	-5.209
Profit/loss before tax		**9.269**	**19.860**	**9.213**	**19.192**
Tax on profit/loss for the year	5	-2.917	-5.185	-2.861	-4.517
Net profit/loss for the year		**6.352**	**14.675**	**6.352**	**14.675**

Balance Sheet 30 September

Assets

		Group		Parent company	
	Note	2020	2019	2020	2019
		TDKK	TDKK	TDKK	TDKK
Costumer related assets		4.000	4.500	0	0
Goodwill		26.087	29.351	0	0
Intangible assets	6	**30.087**	**33.851**	**0**	**0**
Machinery		15.709	15.753	6.037	3.612
Other fixtures and fittings, tools and equipment		12	34	12	34
Property, plant and equipment in progress		0	1.508	0	0
Property, plant and equipment	7	**15.721**	**17.295**	**6.049**	**3.646**
Investments in subsidiaries	8	0	0	68.566	72.572
Investments in associates	9	0	0	0	0
Deposits	10	296	0	0	0
Fixed asset investments		**296**	**0**	**68.566**	**72.572**
Fixed assets		**46.104**	**51.146**	**74.615**	**76.218**
Raw materials and consumables		4.478	5.805	1.647	4.058
Work in progress		9.971	6.884	5.557	3.416
Finished goods and goods for resale		21.551	2.883	17.596	1.508
Inventories		**36.000**	**15.572**	**24.800**	**8.982**
Trade receivables		53.990	53.196	41.507	36.930
Receivables from group enterprises		110	0	5.603	4.869
Other receivables		865	1.318	0	0
Deferred tax asset	11	335	1.069	335	581
Receivables		**55.300**	**55.583**	**47.445**	**42.380**
Cash at bank and in hand		**41.456**	**61.974**	**20.222**	**43.099**
Currents assets		**132.756**	**133.129**	**92.467**	**94.461**
Assets		**178.860**	**184.275**	**167.082**	**170.679**

Balance Sheet 30 September

Liabilities and equity

	Note	Group 2020	Group 2019	Parent company 2020	Parent company 2019
		TDKK	TDKK	TDKK	TDKK
Share capital		500	500	500	500
Reserve for net revaluation under the equity method		0	0	0	893
Retained earnings		55.041	48.853	55.041	47.960
Equity		**55.541**	**49.353**	**55.541**	**49.353**
Credit institutions		47.719	51.727	47.719	51.727
Lease obligations		1.349	1.152	1.196	0
Other payables		3.506	0	3.506	0
Long-term debt	13	**52.574**	**52.879**	**52.421**	**51.727**
Credit institutions	13	4.362	4.270	4.362	4.270
Lease obligations	13	1.425	2.338	1.082	1.762
Trade payables		26.547	15.237	19.238	8.360
Payables to group enterprises		22.571	31.826	24.126	32.945
Corporation tax		22	73	0	0
Other payables	13	15.818	28.299	10.312	22.262
Short-term debt		**70.745**	**82.043**	**59.120**	**69.599**
Debt		**123.319**	**134.922**	**111.541**	**121.326**
Liabilities and equity		**178.860**	**184.275**	**167.082**	**170.679**

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Statement of Changes in Equity

Group

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK
Equity at 1 October	500	0	48.853	49.353
Exchange adjustments relating to foreign entities	0	0	-612	-612
Fair value adjustment of hedging instruments, beginning of year	0	0	2.844	2.844
Fair value adjustment of hedging instruments, end of year	0	0	-2.270	-2.270
Tax on adjustment of hedging instruments for the year	0	0	-126	-126
Net profit/loss for the year	0	0	6.352	6.352
Equity at 30 September	**500**	**0**	**55.041**	**55.541**

Parent company

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK
Equity at 1 October	500	893	47.960	49.353
Exchange adjustments relating to foreign entities	0	-612	0	-612
Fair value adjustment of hedging instruments, beginning of year	0	0	2.844	2.844
Fair value adjustment of hedging instruments, end of year	0	0	-2.270	-2.270
Tax on adjustment of hedging instruments for the year	0	0	-126	-126
Net profit/loss for the year	0	-281	6.633	6.352
Equity at 30 September	**500**	**0**	**55.041**	**55.541**

Cash Flow Statement 1 October - 30 September

	Note	Group 2019/20 TDKK	Group 2018/19 TDKK
Net profit/loss for the year		6.352	14.675
Adjustments	14	14.933	21.040
Change in working capital	15	-17.860	14.496
Cash flows from operating activities before financial income and expenses		**3.425**	**50.211**
Financial income		953	451
Financial expenses		-4.197	-2.701
Cash flows from ordinary activities		**181**	**47.961**
Corporation tax		-2.156	-6.584
Cash flows from operating activities		**-1.975**	**41.377**
Purchase of property, plant and equipment		-4.253	-6.656
Fixed asset investments made etc		-293	0
Cash flows from investing activities		**-4.546**	**-6.656**
Repayment of loans from credit institutions		-3.916	74
Reduction of lease obligations		-716	-3.426
Repayment of payables to group enterprises		-9.365	26.430
Dividend paid		0	-30.000
Cash flows from financing activities		**-13.997**	**-6.922**
Change in cash and cash equivalents		**-20.518**	**27.799**
Cash and cash equivalents at 1 October		61.974	34.175
Cash and cash equivalents at 30 September		**41.456**	**61.974**
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		41.456	61.974
Cash and cash equivalents at 30 September		**41.456**	**61.974**

Notes to the Financial Statements

1 Subsequent events

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

	Group		Parent company	
	2019/20	2018/19	2019/20	2018/19
	TDKK	TDKK	TDKK	TDKK

2 Staff expenses

	Group 2019/20 TDKK	Group 2018/19 TDKK	Parent company 2019/20 TDKK	Parent company 2018/19 TDKK
Wages and salaries	65.660	60.244	40.843	37.440
Pensions	2.516	2.268	2.516	2.268
Other social security expenses	7.728	8.278	2.137	1.355
	75.904	**70.790**	**45.496**	**41.063**
Including remuneration to the Executive and Supervisory Boards of:				
Executive Board	6.248	7.835	6.248	7.835
Supervisory Board	252	262	252	262
	6.500	**8.097**	**6.500**	**8.097**
Average number of employees	**201**	**216**	**72**	**63**

3 Financial income

	Group 2019/20 TDKK	Group 2018/19 TDKK	Parent company 2019/20 TDKK	Parent company 2018/19 TDKK
Interest received from group enterprises	2	0	142	136
Other financial income	951	452	534	604
	953	**452**	**676**	**740**

4 Financial expenses

	Group 2019/20 TDKK	Group 2018/19 TDKK	Parent company 2019/20 TDKK	Parent company 2018/19 TDKK
Interest paid to group enterprises	716	763	745	763
Other financial expenses	3.481	4.782	3.271	4.446
	4.197	**5.545**	**4.016**	**5.209**

Notes to the Financial Statements

	Group		Parent company	
	2019/20	2018/19	2019/20	2018/19
	TDKK	TDKK	TDKK	TDKK
5 Tax on profit/loss for the year				
Current tax for the year	2.309	4.239	2.741	3.748
Deferred tax for the year	734	321	246	144
	3.043	**4.560**	**2.987**	**3.892**
which breaks down as follows:				
Tax on profit/loss for the year	2.917	5.185	2.861	4.517
Tax on changes in equity	126	-625	126	-625
	3.043	**4.560**	**2.987**	**3.892**

6 Intangible assets

Group

	Costumer related assets	Goodwill
	TDKK	TDKK
Cost at 1 October	5.000	32.615
Cost at 30 September	5.000	32.615
Impairment losses and amortisation at 1 October	500	3.264
Amortisation for the year	500	3.264
Impairment losses and amortisation at 30 September	1.000	6.528
Carrying amount at 30 September	**4.000**	**26.087**
Amortised over	10 years	10 years

Notes to the Financial Statements

7 Property, plant and equipment

Group

	Machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment in progress
	TDKK	TDKK	TDKK
Cost at 1 October	84.068	2.326	1.508
Exchange adjustment	-514	0	0
Additions for the year	5.761	0	0
Disposals for the year	-2.320	0	0
Transfers for the year	1.508	0	-1.508
Cost at 30 September	88.503	2.326	0
Impairment losses and depreciation at 1 October	68.315	2.292	0
Exchange adjustment	-308	0	0
Depreciation for the year	5.599	22	0
Reversal of impairment and depreciation of sold assets	-812	0	0
Impairment losses and depreciation at 30 September	72.794	2.314	0
Carrying amount at 30 September	**15.709**	**12**	**0**
Including assets under finance leases amounting to	989	0	0

Notes to the Financial Statements

7 Property, plant and equipment (continued)

Parent company

	Machinery	Other fixtures and fittings, tools and equipment
	TDKK	TDKK
Cost at 1 October	58.540	2.326
Additions for the year	4.343	0
Disposals for the year	-812	0
Kostpris at 30 September	62.071	2.326
Impairment losses and depreciation at 1 October	54.928	2.292
Depreciation for the year	1.918	22
Reversal of impairment and depreciation of sold assets	-812	0
Impairment losses and depreciation at 30 September	56.034	2.314
Carrying amount at 30 September	**6.037**	**12**
Including assets under finance leases amounting to	493	0

8 Investments in subsidiaries

	Parent company	
	2020	2019
	TDKK	TDKK
Cost at 1 October	71.679	71.679
Cost at 30 September	71.679	71.679
Value adjustments at 1 October	893	1.360
Exchange adjustment	-612	543
Net profit/loss for the year	368	2.752
Amortisation of goodwill	-3.762	-3.762
Value adjustments at 30 September	-3.113	893
Carrying amount at 30 September	**68.566**	**72.572**
Positive differences arising on initial measurement of subsidiaries at net asset value	33.853	37.615

Notes to the Financial Statements

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%
Sjolund US Inc.	Colorado, United States	USD 1k	100%
Sjolund Estonia OÜ	Jüri, Estonia	EUR 10k	100%
Sjoelund UK Ltd.	London, United Kingdom	GBP 0k	100%

9 Investments in associates

	Group		Parent company	
	2020	2019	2020	2019
	TDKK	TDKK	TDKK	TDKK
Cost at 1 October	7.727	7.727	0	0
Cost at 30 September	7.727	7.727	0	0
Value adjustments at 1 October	-7.727	-7.727	0	0
Value adjustments at 30 September	-7.727	-7.727	0	0
Carrying amount at 30 September	**0**	**0**	**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%

Notes to the Financial Statements

10 Other fixed asset investments

	Group
	Deposits
	TDKK
Additions for the year	296
Cost at 30 September	296
Carrying amount at 30 September	**296**

11 Deferred tax asset

	Group		Parent company	
	2020	2019	2020	2019
	TDKK	TDKK	TDKK	TDKK
Deferred tax asset at 1 October	1.069	1.390	581	725
Amounts recognised in the income statement for the year	-734	-321	-246	-144
Deferred tax asset at 30 September	**335**	**1.069**	**335**	**581**

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

12 Distribution of profit

	Parent company	
	2019/20	2018/19
	TDKK	TDKK
Reserve for net revaluation under the equity method	-281	350
Retained earnings	6.633	14.325
	6.352	**14.675**

Notes to the Financial Statements

13 Long-term debt

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

The debt falls due for payment as specified below:

	Group		Parent company	
	2020	2019	2020	2019
	TDKK	TDKK	TDKK	TDKK
Credit institutions				
Between 1 and 5 years	47.719	51.727	47.719	51.727
Long-term part	47.719	51.727	47.719	51.727
Within 1 year	4.362	4.270	4.362	4.270
	52.081	**55.997**	**52.081**	**55.997**
Lease obligations				
Between 1 and 5 years	1.349	1.152	1.196	0
Long-term part	1.349	1.152	1.196	0
Within 1 year	1.425	2.338	1.082	1.762
	2.774	**3.490**	**2.278**	**1.762**
Other payables				
Between 1 and 5 years	3.506	0	3.506	0
Long-term part	3.506	0	3.506	0
Other short-term payables	15.820	28.299	10.312	22.262
	19.326	**28.299**	**13.818**	**22.262**

Notes to the Financial Statements

	Group	
	2019/20	2018/19
	TDKK	TDKK
14 Cash flow statement - adjustments		
Financial income	-953	-452
Financial expenses	4.197	5.545
Depreciation, amortisation and impairment losses, including losses and gains on sales	9.384	10.762
Tax on profit/loss for the year	2.917	5.185
Other adjustments	-612	0
	14.933	**21.040**

15 Cash flow statement - change in working capital

	2019/20	2018/19
Change in inventories	-20.428	10.031
Change in receivables	-341	5.624
Change in trade payables, etc	2.335	1.684
Fair value adjustments of hedging instruments	574	-2.843
	-17.860	**14.496**

Notes to the Financial Statements

	Group		Parent company	
	2020	2019	2020	2019
	TDKK	TDKK	TDKK	TDKK

16 Contingent assets, liabilities and other financial obligations

Rental and lease obligations

	2020	2019	2020	2019
Lease obligations under operating leases. Total future lease payments:				
Within 1 year	1.387	1.289	1.387	1.289
Between 1 and 5 years	301	56	301	56
	1.688	**1.345**	**1.688**	**1.345**
Lease commitments, non-cancellation period up to 123 months. (2018/19: 135 months.)	33.526	36.573	31.226	34.273

Other contingent liabilities

The company has issued guarantee to bank as a part of the group finance facility agreement in Sjølund Management ApS which is limited to DKK 138,920k.

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

Notes to the Financial Statements

17 Related parties

	Basis
Controlling interest	
Sjølund Management ApS	Immediate Parent Company

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

Consolidated Financial Statements

The Company will be included in the Consolidated Annual Report of its immediate and ultimate Parent Companies.

Name	Place of registered office
Sjølund Management Holding ApS	Kolding, Denmark

The Group Annual Report of Sjølund Management Holding ApS may be obtained at the following address:

Skamlingvejen 146
6093 Sjølund
Denmark

Notes to the Financial Statements

18 Accounting Policies

The Annual Report of Sjølund A/S for 2019/20 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 2019/20 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 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.

Business combinations

Business acquisitions carried through on or after 1 July 2018

Acquisitions of subsidiaries are accounted for using the purchase method under which the identifiable assets and liabilities of the entity acquired are measured at fair value at the time of acquisition. Acquired contingent liabilities are recognised at fair value in the Consolidated Financial Statements to the extent that the value can be measured reliably.

The time of acquisition is the time when the Group obtains control of the entity acquired.

The cost of the entity acquired is the fair value of the consideration agreed, including consideration contingent on future events. Transaction costs directly attributable to the acquisition of subsidiaries are recognised in the income statement as incurred.

Positive differences between the cost of the entity acquired and identifiable assets and liabilities are recognised as goodwill in intangible assets in the balance sheet and are amortised in the income statement on a straight-line basis over their estimated useful lives. Amortisation of goodwill is allocated in the Consolidated Financial Statements to the operations to which goodwill is related. Where the differences are negative, they are recognised immediately in the income statement.

Where the purchase price allocation is not final, positive and negative differences from acquired subsidiaries due to changes to the recognition and measurement of identifiable net assets may be adjusted for up to 12 months after the time of acquisition. These adjustments are also reflected in the value of goodwill or negative goodwill, including in amortisation already made.

Where cost includes contingent consideration, this is measured at fair value at the time of acquisition. Contingent consideration is subsequently measured at fair value. Any value adjustments are recognised in the income statement.

In respect of step acquisitions, any previously held investments in the entity acquired are remeasured at fair value at the time of acquisition. The difference between the carrying amount of the investment previously held and the fair value is recognised in the income statement.

Business acquisitions carried through before 1 July 2018

Subject to some exemptions, acquisitions carried through before 1 July 2018 are accounted for under the same accounting policies as those applying to business combinations carried through on or after 1 July

Notes to the Financial Statements

18 Accounting Policies (continued)

2018. The most material exemptions are:

- Identifiable assets and liabilities of the entity acquired are recognised only if they are probable.
- Identifiable contingent liabilities of the entity acquired are not recognised in the consolidated balance sheet.
- Where the purchase price allocation is not final, positive and negative differences due to changes to the recognition and measurement of the acquired net assets may be adjusted until the end of the financial year following the year of acquisition. These adjustments are also reflected in the value of goodwill or negative goodwill, including in amortisation already made.
- Transaction costs directly attributable to the acquisition of subsidiaries are included as part of cost.
- After the initial recognition, adjustment of contingent consideration is recognised directly with its counter entry in initial purchase price, thus correcting the value of goodwill or negative goodwill.
- In respect of step acquisitions, the carrying amount of the existing investments is recognised in cost.

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.

Notes to the Financial Statements

18 Accounting Policies (continued)

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

Hedge accounting

Changes in the fair values of derivative financial instruments that are designated and qualify as hedges of expected future transactions are recognised in retained earnings under equity as regards the effective portion of the hedge. The ineffective portion is recognised in the income statement. If the hedged transaction results in an asset or a liability, the amount deferred in equity is transferred from equity and recognised in the cost of the asset or the liability, respectively. If the hedged transaction results in an income or an expense, the amount deferred in equity is transferred from equity to the income statement in the period in which the hedged transaction is recognised. The amount is recognised in the same item as the hedged transaction.

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 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, gross profit/loss is calculated as a summary of revenue, other operating income, expenses for raw materials and consumables and other external expenses.

Notes to the Financial Statements

18 Accounting Policies (continued)

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.

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 Sjølund Management ApS. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Intangible assets

Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over its useful life, which is assessed at 10 years.

Costumer related assets are measured at the lower of cost less accumulated amortisation and recoverable amount. Client relationships are amortised on a straight-line basis over its useful life, which is assessed at

Notes to the Financial Statements

18 Accounting Policies (continued)

10 years.

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	5-10 years
Other fixtures and fittings, tools and equipment	3-10 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 intercompany 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 con-

Notes to the Financial Statements

18 Accounting Policies (continued)

structive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Other fixed asset investments

Other fixed asset investments consist of deposits.

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.

Equity

Deferred tax assets and liabilities

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

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

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

Notes to the Financial Statements

18 Accounting Policies (continued)

ferred 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.

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”.

Notes to the Financial Statements

18 Accounting Policies (continued)

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

Financial Highlights

Explanation of financial ratios

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