



STARCO Europe A/S

True Møllevej 5, 1.
8381 Tilst
CVR No. 14339701

Annual report 2020

The Annual General Meeting adopted the
annual report on 21.04.2021

Richard Stephen Todd

Chairman of the General Meeting

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Entity details

Entity

STARCO Europe A/S

True Møllevvej 5, 1.

8381 Tilst

CVR No.: 14339701

Registered office: Aarhus

Financial year: 01.01.2020 - 31.12.2020

Board of Directors

Chi-Jen Yang

Jeffrey Pizzola

Ying Ming Yang

Executive Board

Richard Stephen Todd

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

City Tower, Værkmestergade 2

8000 Aarhus C

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of STARCO Europe A/S for the financial year 01.01.2020 - 31.12.2020.

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 31.12.2020 and of the results of its operations for the financial year 01.01.2020 - 31.12.2020.

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.

Aarhus, 21.04.2021

Executive Board

Richard Stephen Todd

Board of Directors

Chi-Jen Yang

Jeffrey Pizzola

Ying Ming Yang

Independent auditor's report

To the shareholder of STARCO Europe A/S

Opinion

We have audited the financial statements of STARCO Europe A/S for the financial year 01.01.2020 - 31.12.2020, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2020 and of the results of its operations for the financial year 01.01.2020 - 31.12.2020 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of 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.

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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity 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 Entity'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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, 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 the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary 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 of the management commentary.

Aarhus, 21.04.2021

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Henrik Vedel

State Authorised Public Accountant
Identification No (MNE) mne10052

Management commentary

Financial highlights

	2020 DKK'000	2019 DKK'000	2018 DKK'000	2017 DKK'000	2016 DKK'000
Key figures					
Revenue	47,534	90,446	110,638	98,341	97,243
Gross profit/loss	27,207	(5,752)	12,785	18,860	57,691
Operating profit/loss	503	(32,991)	(13,055)	(10,844)	(24,566)
Net financials	(3,805)	(1,344)	(9,646)	(27,352)	(80,623)
Profit/loss for the year	8,963	(28,480)	(21,880)	(37,282)	106,796
Total assets	385,787	355,074	349,230	405,199	461,483
Investments in property, plant and equipment	689	(594)	1,901	2,431	9,298
Equity	37,310	34,511	59,002	78,791	120,188
Ratios					
Gross margin (%)	57.24	(6.36)	11.56	19.18	59.33
Net margin (%)	18.86	(31.49)	(19.78)	(37.91)	109.82
Return on equity (%)	24.96	(60.91)	(31.76)	(37.47)	144.72
Equity ratio (%)	9.67	9.72	16.89	19.45	26.04

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

Gross margin (%):

$\frac{\text{Gross profit/loss} * 100}{\text{Revenue}}$

Revenue

Net margin (%):

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

Revenue

Return on equity (%):

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

Average equity

Equity ratio (%):

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

Total assets

Primary activities

STARCO Europe is the parent company to a number of production and sales & distribution entities. The group is one of Europe's leading suppliers of wheel and tyre solutions for selected OEM segments. Activities comprise of production via own and associated companies in England, Croatia and China, and sales & distribution handled by own entities in Europe.

More details about the group's activities and business and market strategies can be found at www.starco.com. The company sets the strategic guidelines for the entire group's product and market development activities.

Development in activities and finances

During 2020 the integration into Kenda continued. Kenda's tyre manufacturing capabilities as well as their financial strength enables STARCO to continue to pursue its growth strategy focusing on medium to large multinational OEM customers in target segments. During 2020 STARCO merged its Technical function into Kenda's European Technical Centre which is seen as a key strategic driver for profitable growth. During the last years STARCO has invested considerably in additional manufacturing capacity, automatization and quality improvements in our factories and distribution centers.

In 2020 STARCO continued this investment in the manufacturing facilities in Croatia and UK, driving efficiency levels, capacity and flexibility. In addition to capital investment, additional resources were made to drive process excellence and organisational development. The expansion of the Polish Distribution Centre was finished during 2020, doubling the capacity which will enable further growth in Eastern Europe. This expansion is the first step in a longer term European distribution strategy.

2020 was an exceptional year due to the covid-19 crisis. Management took quick decisions early on to ensure a safe working environment for employees whilst at the same time being able to follow the dynamic demands from customers. The second quarter saw very low activity levels, however there was a strong rebound in Q3 and Q4. A solid performance in our supply chain management enabled additional customers and business to be secured from the competition. This will generate additional growth opportunities. To offset the short term lower activity levels, a raft of cost reduction actions were implemented, margins were optimized and short term cash generated from working capital.

Significant resources have been allocated to strengthen new customer and new product pipelines. This will generate significant growth over the coming years.

Outlook

The 2021 expectation for the STARCO Group is a positive income in line with 2020. The result however is dependent on the results for all subsidiaries of the company. We expect a net result in the range of MDKK 5-10.

There is still considerable uncertainty and there are external influences, such as the global shipping crisis, to cope with. However, considering this and that the majority of Europe is under lock down at the time of writing due to covid-19, demand is very high and all customers are able to operate a normal or close to normal production levels. Combined with the roll out of vaccines the outlook looks much more positive and stable than 2020.

Events after the balance sheet date

It is difficult to state if covid-19 will have a negative impact on during 2021. However, the actions in place and also the performance demonstrated in 2020 gives the management confidence to be able to mitigate this uncertainty. In addition, no circumstances have occurred after the balance sheet date that distort the assessment of the annual report.

Income statement for 2020

	Notes	2020 DKK'000	2019 DKK '000
Revenue		47,534	90,446
Other operating income	1	38,571	5,343
Cost of sales		(47,777)	(86,685)
Other external expenses		(11,121)	(14,856)
Gross profit/loss		27,207	(5,752)
Staff costs	2	(24,402)	(25,208)
Depreciation, amortisation and impairment losses	3	(2,302)	(2,031)
Operating profit/loss		503	(32,991)
Income from investments in group enterprises		11,677	5,956
Income from investments in associates		521	633
Other financial income	4	547	1,611
Other financial expenses	5	(4,352)	(2,955)
Profit/loss before tax		8,896	(27,746)
Tax on profit/loss for the year	6	67	(734)
Profit/loss for the year	7	8,963	(28,480)

Balance sheet at 31.12.2020

Assets

	Notes	2020 DKK'000	2019 DKK'000
Acquired intangible assets		2,342	2,564
Acquired patents		14	19
Development projects in progress	9	0	5,499
Intangible assets	8	2,356	8,082
Other fixtures and fittings, tools and equipment		8,486	4,000
Property, plant and equipment	10	8,486	4,000
Investments in group enterprises		272,857	267,759
Investments in associates		20,118	12,707
Other receivables		255	199
Financial assets	11	293,230	280,665
Fixed assets		304,072	292,747
Receivables from group enterprises		58,984	58,204
Other receivables		6,038	2,467
Prepayments	12	0	1,656
Receivables		65,022	62,327
Cash		16,693	0
Current assets		81,715	62,327
Assets		385,787	355,074

Equity and liabilities

	Notes	2020 DKK'000	2019 DKK'000
Contributed capital		10,320	10,320
Reserve for net revaluation according to the equity method		42,099	30,511
Reserve for development expenditure		0	5,175
Retained earnings		(15,109)	(11,495)
Equity		37,310	34,511
Other provisions	13	827	1,193
Provisions		827	1,193
Subordinate loan capital		0	53,035
Bank loans		141,347	0
Payables to group enterprises		0	173,446
Other payables		1,072	0
Non-current liabilities other than provisions	14	142,419	226,481
Bank loans		130,188	25,782
Trade payables		662	4,156
Payables to group enterprises		69,049	59,181
Other payables		5,332	3,770
Current liabilities other than provisions		205,231	92,889
Liabilities other than provisions		347,650	319,370
Equity and liabilities		385,787	355,074
Contingent liabilities	15		
Assets charged and collateral	16		
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Statement of changes in equity for 2020

	Contributed capital DKK'000	Reserve for net revaluation according to the equity method DKK'000	Reserve for development expenditure DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	10,320	30,511	5,175	(11,495)	34,511
Exchange rate adjustments	0	0	0	(6,164)	(6,164)
Dissolution of reserves	0	0	(5,175)	5,175	0
Profit/loss for the year	0	11,588	0	(2,625)	8,963
Equity end of year	10,320	42,099	0	(15,109)	37,310

Notes

1 Other operating income

Other operating income contains received compensation from the financial support package regarding salary costs, that were established as a consequence of the outbreak of COVID-19 in 2020, which amounts to DKK 475 thousand.

2 Staff costs

	2020	2019
	DKK'000	DKK'000
Wages and salaries	20,933	21,598
Pension costs	1,197	1,637
Other social security costs	2,211	1,381
Other staff costs	61	592
	24,402	25,208
Average number of full-time employees	16	20

In pursuance of section 98B (3) of the Danish Financial Statements Act, remuneration of the Board Of Directors and Executive Board is not divided.

3 Depreciation, amortisation and impairment losses

	2020	2019
	DKK'000	DKK'000
Amortisation of intangible assets	615	14
Depreciation of property, plant and equipment	1,702	1,951
Profit/loss from sale of intangible assets and property, plant and equipment	(15)	66
	2,302	2,031

4 Other financial income

	2020	2019
	DKK'000	DKK'000
Financial income from group enterprises	547	1,197
Exchange rate adjustments	0	414
	547	1,611

5 Other financial expenses

	2020 DKK'000	2019 DKK'000
Financial expenses from group enterprises	1,229	2,115
Other interest expenses	1,625	840
Exchange rate adjustments	1,498	0
	4,352	2,955

6 Tax on profit/loss for the year

	2020 DKK'000	2019 DKK'000
Current tax	(67)	0
Adjustment concerning previous years	0	734
	(67)	734

7 Proposed distribution of profit and loss

	2020 DKK'000	2019 DKK'000
Retained earnings	8,963	(28,480)
	8,963	(28,480)

8 Intangible assets

	Acquired intangible assets DKK'000	Acquired patents DKK'000	Development projects in progress DKK'000
Cost beginning of year	11,989	565	5,858
Transfers	0	0	(5,858)
Additions	388	0	0
Disposals	0	(69)	0
Cost end of year	12,377	496	0
Amortisation and impairment losses beginning of year	(9,425)	(546)	(359)
Transfers	0	0	359
Amortisation for the year	(610)	(5)	0
Reversal regarding disposals	0	69	0
Amortisation and impairment losses end of year	(10,035)	(482)	0
Carrying amount end of year	2,342	14	0

9 Development projects

Development projects relate to the industrial customers. Project is completed in 2020 and depreciation of the capitalized asset has started.

10 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK'000
Cost beginning of year	14,867
Transfers	5,858
Additions	689
Cost end of year	21,414
Depreciation and impairment losses beginning of year	(10,867)
Transfers	(359)
Depreciation for the year	(1,702)
Depreciation and impairment losses end of year	(12,928)
Carrying amount end of year	8,486

11 Financial assets

	Investments in group enterprises DKK'000	Investments in associates DKK'000	Other receivables DKK'000
Cost beginning of year	300,594	12,915	199
Exchange rate adjustments	0	191	0
Additions	0	7,260	56
Cost end of year	300,594	20,366	255
Revaluations beginning of year	(32,835)	(208)	0
Exchange rate adjustments	(5,603)	(561)	0
Share of profit/loss for the year	11,677	521	0
Adjustment of intra-group profits	(610)	0	0
Investments with negative equity value transferred to provisions	(366)	0	0
Revaluations end of year	(27,737)	(248)	0
Carrying amount end of year	272,857	20,118	255

Investments in subsidiaries	Registered in	Corporate form	Equity interest %
STARCO GB Ltd.	UK	Ltd.	100
STARCO GmbH	Germany	GmbH	100
STARCO Polska s.p.z.o.o	Poland	Sp.zoo	100
STARCO NV	Belgium	NV	100
STARCO GS AG	Switzerland	AG	100
STARCO SAS	France	SAS	100
STARCO Baltic OÜ	Estonia	Oü	100
STARCO Beli Manastir D.O.O.	Croatia	D.O.O.	100
STARCO DML Ltd.	UK	Lt.d	100
Jelshøj Imovina D.O.O.	Croatia	D.O.O.	100

Investments in associates	Registered in	Corporate form	Equity interest %
STARCO Huanmei	China	L.t.d	33,2

12 Prepayments

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

13 Other provisions

Investments with negative equity value transferred to provisions relate to Starco SAS.

14 Non-current liabilities other than provisions

	Due after more than 12 months 2020 DKK'000
Bank loans	141,347
Other payables	1,072
	142,419

15 Contingent liabilities

	2020 DKK'000	2019 DKK'000
Recourse and non-recourse guarantee commitments	700	1,173
Contingent liabilities	700	1,173
Recourse and non-recourse guarantee commitments	8,502	19,229
Contingent liabilities to group enterprises	8,502	19,229

16 Assets charged and collateral

The company has issued a guarantee to ING bank for credit facilities for EUR 4,500 thousand.

The company has issued a guarantee to RBS bank for credit facilities for GBP 2,000 thousand.

The company has issued a guarantee to Regiobank for credit facilities for CHF 400 thousand.

The company has issued a guarantee in the form of a rental obligation of CHF 4,212 thousand.

17 Related parties with controlling interest

Kenda Rubber Ind. Co. LTD., Taiwan

18 Transactions with related parties

Only related party transactions not conducted on an arm's length basis are disclosed in the annual report.

No such transactions have been conducted in the financial year.

19 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:

Kenda Rubber Ind. Co., Ltd., Taiwan

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:

Kenda Rubber Ind. Co., Ltd., Taiwan

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).

Consolidated financial statements

Referring to section 112(2) of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

Recognition and measurement

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 when earned, whereas costs are recognised by the amounts attributable to this financial year.

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. Property, plant and equipment, intangible assets, inventories and other nonmonetary assets that have been purchased in foreign currencies are translated using historical rates.

When recognising foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates as well as out of the translation of income statements from average rates to the exchange rates at the balance sheet date are classified directly as equity.

Exchange adjustments of outstanding accounts with independent foreign subsidiaries, which are considered part of the total investment in the subsidiary in question, are classified directly as equity.

Income statement

Revenue

Revenue from the sale of goods for resale and finished goods, comprising of sales of tyres and wheels, is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

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 Entity's ordinary activities, including expenses for distribution, sale, administration, premises, lease payments under operating leases, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff. Refunds received from public authorities are deducted from staff costs.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of intra-group profits or losses.

Income from investments in associates

Income from investments in associates comprises the pro rata share of the individual associates' profit/loss after elimination of intra-group profits or losses.

Other financial income

Other financial income comprises interest income, including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Balance sheet**Intellectual property rights etc**

Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred is taken to equity under Reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. The amortisation periods used are 5-10 years.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised over their remaining duration, and licences are amortised over the term of the agreement, however not exceeding 5 years.

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

Property, plant and equipment

Plant and machinery as well as 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. For self-constructed assets, cost comprises direct and indirect costs of materials, components, subsuppliers and labour costs.

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 lives of the assets:

Other fixtures and fittings, tools and equipment	3-10 years
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Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Investments in group enterprises

Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value.

Group enterprises with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation is imminent, a provision is recognised that is measured at present value of the costs deemed necessary to incur to settle the obligation.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to Reserve for net revaluation according to the equity method under equity.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

Investments in associates

Investments in associates are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the associates' equity value.

Associates with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant associate, and it is probable that such obligation is imminent, a provision is recognised that is measured at present value of the costs deemed necessary to incur to settle the obligation.

Upon distribution of profit or loss, net revaluation of investments in associates is transferred to Reserve for net revaluation according to the equity method under equity.

Investments in associates are written down to the lower of recoverable amount and carrying amount.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value, less writedowns for bad and doubtful debts.

Prepayments

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

Cash

Cash comprises cash in hand and bank deposits.

Other provisions

Other provisions comprise anticipated costs of commitments entered into behalf of subsidiaries.

Operating leases

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

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Cash flow statement

In accordance with The Danish Financial Statements Act § 86, litra 4, the Company has not prepared a cash flow statement as the cash flow statement is included in the ultimate parent company, Kenda Rubber Ind. Co., Ltd.