

## **STARCO Europe A/S**

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

### **Annual report 2021**

The Annual General Meeting adopted the  
annual report on 07.06.2022

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**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

Business Registration No.: 14339701

Registered office: Aarhus

Financial year: 01.01.2021 - 31.12.2021

## Board of Directors

Chi-Jen Yang, chairman

Jeffrey Pizzola

Ying Ming Yang

## Executive Board

Richard Stephen Todd, CEO

## 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 01.01.2021 - 31.12.2021.

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 31.12.2021 and of the results of its operations for the financial year 01.01.2021 - 31.12.2021.

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, 07.06.2022

## Executive Board

**Richard Stephen Todd**  
CEO

## Board of Directors

**Chi-Jen Yang**  
chairman

**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 01.01.2021 - 31.12.2021, 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 31.12.2021 and of the results of its operations for the financial year 01.01.2021 - 31.12.2021 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 for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Management's responsibilities for the financial statements

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

In preparing the financial statements, Management is responsible for assessing the 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, 07.06.2022

**Deloitte**

Statsautoriseret Revisionspartnerselskab  
CVR No. 33963556

**Henrik Vedel**

State Authorised Public Accountant  
Identification No (MNE) mne10052

**Mikael Møller**

State Authorised Public Accountant  
Identification No (MNE) mne47835

# Management commentary

## Financial highlights

	2021 DKK'000	2020 DKK'000	2019 DKK'000	2018 DKK'000	2017 DKK'000
<b>Key figures</b>					
Revenue	50,438	47,534	90,446	110,638	98,341
Gross profit/loss	31,431	27,207	(5,752)	12,785	18,860
Operating profit/loss	3,437	503	(32,991)	(13,055)	(10,844)
Net financials	(1,261)	(3,805)	(1,344)	(9,646)	(27,352)
Profit/loss for the year	24,926	8,963	(28,480)	(21,880)	(37,282)
Total assets	371,476	385,787	355,074	349,230	405,199
Investments in property, plant and equipment	230	689	(594)	1,901	2,431
Equity	70,330	37,310	34,511	59,002	78,791
<b>Ratios</b>					
Gross margin (%)	62.32	57.24	(6.36)	11.56	19.18
Net margin (%)	49.42	18.86	(31.49)	(19.78)	(37.91)
Return on equity (%)	46.31	24.96	(60.91)	(31.76)	(37.47)
Equity ratio (%)	18.93	9.67	9.72	16.89	19.45

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](http://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 2021 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 large to medium multinational OEM customers in target segments. During 2021 STARCO continued to work on long term strategic planning, defining a clear roadmap for the next 5 years and beyond. This plan will deliver significant growth and will further leverage the opportunities of being part of the global Kenda Group. During the last years STARCO has invested considerably in additional manufacturing capacity, automatization and quality improvements in our factories and distribution centers. These investment delivered significant gains during 2021.

In 2021 STARCO invested again the manufacturing facilities in Croatia and UK, driving efficiency levels, capacity, flexibility and also several patented innovative products. The focus on product development in co-operation with Kenda Technical competences generates a significant new foundation from future growth. STARCO Poland also become the distributor of passenger car tyres to the aftermarket.

2021 was an exceptional year. There were many challenges to deal with, the ongoing pandemic and many linked to managing a resurgent market with supply capacity constraints, increasing commodity prices and record breaking sea-freight costs. STARCO's approach was secure additional capacity in our own production facilities and also that of our suppliers, ensuring continuity of supply to follow our increased customer demands. Escalating prices were dealt with in a fair, open and transparent way with customers. This approach generated additional growth opportunities. To offset increasing costs a raft of cost reduction actions were implemented, ensuring we remain competitive.

### Profit/loss for the year in relation to expected developments

In the annual report 2020 the expectation was a net result in the range of MDKK 5-10. Our financial result for 2021 was higher than the expectation and the net financial result ended at MDKK 25.

The difference between the expected and realized result can be explained by the results for all subsidiaries in 2021.

### Outlook

The expectation for 2022 is a positive income in line with 2021. The result however is dependent on the results for all subsidiaries of the company. We expect a net result in the range of MDKK 5-15.

There is still considerable uncertainty and there are external influences, such as the global supply chain situation, to cope with. However, at the time of writing, market activity levels and demand remains high and all customers report a positive outlook for the year.

### Events after the balance sheet date

The long term strategy and actions in place for 2022 give the management team confidence that the momentum

from 2021 will be carried through the coming year.

In addition, no circumstances have occurred after the balance sheet date that distort the assessment of the annual report.

# Income statement for 2021

	Notes	2021 DKK'000	2020 DKK '000
Revenue		50,438	47,534
Other operating income		48,366	38,571
Cost of sales		(50,183)	(47,777)
Other external expenses		(17,190)	(11,121)
<b>Gross profit/loss</b>		<b>31,431</b>	<b>27,207</b>
Staff costs	1	(25,036)	(24,402)
Depreciation, amortisation and impairment losses	2	(2,958)	(2,302)
<b>Operating profit/loss</b>		<b>3,437</b>	<b>503</b>
Income from investments in group enterprises		23,013	11,677
Income from investments in associates		(80)	521
Other financial income	3	2,475	547
Other financial expenses	4	(3,736)	(4,352)
<b>Profit/loss before tax</b>		<b>25,109</b>	<b>8,896</b>
Tax on profit/loss for the year	5	(183)	67
<b>Profit/loss for the year</b>	6	<b>24,926</b>	<b>8,963</b>

# Balance sheet at 31.12.2021

## Assets

	Notes	2021 DKK'000	2020 DKK'000
Acquired intangible assets		1,591	2,342
Acquired patents		9	14
<b>Intangible assets</b>	7	<b>1,600</b>	<b>2,356</b>
Other fixtures and fittings, tools and equipment		6,653	8,486
<b>Property, plant and equipment</b>	8	<b>6,653</b>	<b>8,486</b>
Investments in group enterprises		248,073	272,857
Investments in associates		22,192	20,118
Other receivables		187	255
<b>Financial assets</b>	9	<b>270,452</b>	<b>293,230</b>
<b>Fixed assets</b>		<b>278,705</b>	<b>304,072</b>
Receivables from group enterprises		80,955	58,984
Other receivables		9,352	6,038
<b>Receivables</b>		<b>90,307</b>	<b>65,022</b>
<b>Cash</b>		<b>2,464</b>	<b>16,693</b>
<b>Current assets</b>		<b>92,771</b>	<b>81,715</b>
<b>Assets</b>		<b>371,476</b>	<b>385,787</b>

**Equity and liabilities**

	<b>Notes</b>	<b>2021 DKK'000</b>	<b>2020 DKK'000</b>
Contributed capital		10,320	10,320
Reserve for net revaluation according to the equity method		0	42,099
Retained earnings		60,010	(15,109)
<b>Equity</b>		<b>70,330</b>	<b>37,310</b>
Other provisions	10	0	827
<b>Provisions</b>		<b>0</b>	<b>827</b>
Bank loans		121,103	141,347
Other payables		0	1,072
<b>Non-current liabilities other than provisions</b>	11	<b>121,103</b>	<b>142,419</b>
Current portion of non-current liabilities other than provisions	11	20,191	0
Bank loans		130,138	130,188
Trade payables		954	662
Payables to group enterprises		23,780	69,049
Tax payable		183	0
Other payables		4,797	5,332
<b>Current liabilities other than provisions</b>		<b>180,043</b>	<b>205,231</b>
<b>Liabilities other than provisions</b>		<b>301,146</b>	<b>347,650</b>
<b>Equity and liabilities</b>		<b>371,476</b>	<b>385,787</b>
Contingent liabilities	12		
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# Statement of changes in equity for 2021

	Contributed capital DKK'000	Reserve for net revaluation according to the equity method DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	10,320	42,099	(15,109)	37,310
Exchange rate adjustments	0	0	8,094	8,094
Other entries on equity	0	(42,099)	42,099	0
Profit/loss for the year	0	0	24,926	24,926
<b>Equity end of year</b>	<b>10,320</b>	<b>0</b>	<b>60,010</b>	<b>70,330</b>

# Notes

## 1 Staff costs

	<b>2021</b>	<b>2020</b>
	<b>DKK'000</b>	<b>DKK'000</b>
Wages and salaries	22,284	20,933
Pension costs	1,558	1,197
Other social security costs	844	2,211
Other staff costs	350	61
	<b>25,036</b>	<b>24,402</b>
Average number of full-time employees	15	16

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

## 2 Depreciation, amortisation and impairment losses

	<b>2021</b>	<b>2020</b>
	<b>DKK'000</b>	<b>DKK'000</b>
Amortisation of intangible assets	5	615
Depreciation of property, plant and equipment	2,735	1,702
Profit/loss from sale of intangible assets and property, plant and equipment	218	(15)
	<b>2,958</b>	<b>2,302</b>

## 3 Other financial income

	<b>2021</b>	<b>2020</b>
	<b>DKK'000</b>	<b>DKK'000</b>
Financial income from group enterprises	475	547
Exchange rate adjustments	2,000	0
	<b>2,475</b>	<b>547</b>

**4 Other financial expenses**

	<b>2021</b>	<b>2020</b>
	<b>DKK'000</b>	<b>DKK'000</b>
Financial expenses from group enterprises	332	1,229
Other interest expenses	3,086	1,625
Exchange rate adjustments	318	1,498
	<b>3,736</b>	<b>4,352</b>

**5 Tax on profit/loss for the year**

	<b>2021</b>	<b>2020</b>
	<b>DKK'000</b>	<b>DKK'000</b>
Current tax	183	(67)
	<b>183</b>	<b>(67)</b>

**6 Proposed distribution of profit and loss**

	<b>2021</b>	<b>2020</b>
	<b>DKK'000</b>	<b>DKK'000</b>
Retained earnings	24,926	8,963
	<b>24,926</b>	<b>8,963</b>

**7 Intangible assets**

	<b>Acquired intangible assets</b>	<b>Acquired patents</b>
	<b>DKK'000</b>	<b>DKK'000</b>
Cost beginning of year	12,377	496
Additions	143	0
Disposals	(222)	0
<b>Cost end of year</b>	<b>12,298</b>	<b>496</b>
Amortisation and impairment losses beginning of year	(10,035)	(482)
Amortisation for the year	(672)	(5)
<b>Amortisation and impairment losses end of year</b>	<b>(10,707)</b>	<b>(487)</b>
<b>Carrying amount end of year</b>	<b>1,591</b>	<b>9</b>



## 8 Property, plant and equipment

	<b>Other fixtures and fittings, tools and equipment DKK'000</b>
Cost beginning of year	21,414
Additions	230
<b>Cost end of year</b>	<b>21,644</b>
Depreciation and impairment losses beginning of year	(12,928)
Depreciation for the year	(2,063)
<b>Depreciation and impairment losses end of year</b>	<b>(14,991)</b>
<b>Carrying amount end of year</b>	<b>6,653</b>

## 9 Financial assets

	<b>Investments in group enterprises DKK'000</b>	<b>Investments in associates DKK'000</b>	<b>Other receivables DKK'000</b>
Cost beginning of year	300,594	20,366	255
Exchange rate adjustments	0	2,189	0
Disposals	(51,098)	(587)	(68)
<b>Cost end of year</b>	<b>249,496</b>	<b>21,968</b>	<b>187</b>
Revaluations beginning of year	(27,737)	(248)	0
Exchange rate adjustments	5,353	552	0
Share of profit/loss for the year	23,013	(80)	0
Adjustment of intra-group profits	(1,226)	0	0
Investments with negative equity value transferred to provisions	(826)	0	0
<b>Revaluations end of year</b>	<b>(1,423)</b>	<b>224</b>	<b>0</b>
<b>Carrying amount end of year</b>	<b>248,073</b>	<b>22,192</b>	<b>187</b>

<b>Investments in subsidiaries</b>	<b>Registered in</b>	<b>Corporate form</b>	<b>Equity interest %</b>
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	Ltd.	100
Jelshøj Imovina D.O.O.	Croatia	D.O.O.	100

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

## 10 Other provisions

Investments with negative equity value transferred to provisions. No investments have negative equity value as of 31 December 2021.

## 11 Non-current liabilities other than provisions

	<b>Due within 12 months 2021 DKK'000</b>	<b>Due after more than 12 months 2021 DKK'000</b>
Bank loans	20,191	121,103
	<b>20,191</b>	<b>121,103</b>

## 12 Contingent liabilities

	2021 DKK'000	2020 DKK'000
Recourse and non-recourse guarantee commitments	550	700
<b>Contingent liabilities</b>	<b>550</b>	<b>700</b>
Recourse and non-recourse guarantee commitments	11,543	8,502
<b>Contingent liabilities to group enterprises</b>	<b>11,543</b>	<b>8,502</b>

## 13 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 to GITI for credit facilities for EUR 2,750 thousand.

The company has issued a guarantee to US Steel for credit facilities for EUR 1,000 thousand.

## 14 Related parties with controlling interest

Kenda Rubber Ind. Co. LTd., Taiwan

## 15 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.

## 16 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.

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.

Investments in associates fall within the definitions of both participating interests and associates, yet in the financial statements they have been presented as investments in associates because this designation reflects more accurately the Company's involvement in the relevant entities.

### **Receivables**

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

### **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.

### **Tax receivable or payable**

Current tax receivable or payable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.

**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.