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Stenhøj Holding A/S

Barrit Langgade 188 - 190
7150 Barrit
Central Business Registration
No 16174394

Annual report 01.07.2018 - 31.12.2019

The Annual General Meeting adopted the annual report on 03.09.2020

Chairman of the General Meeting

____
Name: Martin Klitgaard

Contents

Entity details

Entity

Stenhøj Holding A/S
Barrit Langgade 188 - 190
7150 Barrit

Central Business Registration No (CVR): 16174394
Registered in: Hedensted
Financial year: 01.07.2018 - 31.12.2019

Board of Directors

Giulio Corghi
Cinzia Corghi
Claudio Spiritelli
Kim Josef Stelmach
Johannes Simonsen

Executive Board

Claudio Spiritelli
Martin Klitgaard

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Egtved Allé 4
6000 Kolding

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Stenhøj Holding A/S for the financial year 01.07.2018 - 31.12.2019.

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 31.12.2019 and of the results of its operations and cash flows for the financial year 01.07.2018 - 31.12.2019.

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.

Barrit, 03.09.2020

Executive Board

Claudio Spiritelli	Martin Klitgaard

Board of Directors

Giulio Corghi	Cinzia Corghi	Claudio Spiritelli
Kim Josef Stelmach	Johannes Simonsen	

Independent auditor's report

To the shareholders of Stenhøj Holding A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of Stenhøj Holding A/S for the financial year 01.07.2018 - 31.12.2019, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2019, and of the results of their operations and the consolidated cash flows for the financial year 01.07.2018 - 31.12.2019 in accordance with the Danish Financial Statements Act.

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 consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group 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 consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Parent'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 consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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

Independent auditor's report

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 consolidated financial statements and these parent 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 consolidated financial statements and the parent 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 Group’s and the Parent’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 consolidated financial statements and the parent 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 Parent’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 consolidated financial statements and the parent 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 Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent 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.

Independent auditor's report

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent 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 consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent 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 consolidated financial statements and the parent 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.

Kolding, 03.09.2020

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

Lars Dam Østergaard
State Authorised Public Accountant
Identification No (MNE) mne34501

Management commentary

	2018/19 EUR'000	2017/18 EUR'000	2016/17 EUR'000	2015/16 EUR'000	2014/15 EUR'000
Financial highlights					
Key figures					
Revenue	169.688	108.634	93.413	93.125	86.774
Gross profit/loss	44.590	31.343	25.999	24.701	22.747
Operating profit/loss	(1.179)	8.580	42.243	33.453	22.783
Net financials	(2.598)	(1.234)	(698)	(848)	(1.177)
Profit/loss for the year	(7.283)	5.680	3.637	1.531	12.246
Total assets	53.387	56.911	43.469	41.408	43.017
Investments in property, plant and equipment	2.425	1.316	4.170	5.952	19.725
Equity	5.446	13.242	12.137	14.048	13.511
Cash flows from (used in) operating activities	(4.173)	270	3.554	6.527	4.641
Cash flows from (used in) investing activities	(3.474)	(2.824)	(1.908)	(696)	(1.382)
Cash flows from (used in) financing activities	(860)	151	(3.645)	(1.905)	(1.404)
Ratios					
Gross margin (%)	26,3	28,9	27,8	26,5	26,2
Net margin (%)	(4,3)	5,2	3,9	1,6	14,1
Return on equity (%)	(77,9)	44,8	27,8	11,1	90,6
Equity ratio (%)	10,2	23,3	27,9	33,9	31,4

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

Ratios	**Calculation formula**	**Calculation formula reflects**
Gross margin (%)	$\frac{\text{Gross profit/loss x 100}}{\text{Revenue}}$	The entity's operating gearing.
Net margin (%)	$\frac{\text{Profit/loss for the year x 100}}{\text{Revenue}}$	The entity's operating profitability.
Return on equity (%)	$\frac{\text{Profit/loss for the year x 100}}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity x 100}}{\text{Total assets}}$	The financial strength of the entity.

Management commentary

Primary activities

The group activities are development, production, marketing, sales and service of equipment for the automotive sector. Apart from providing uplifting equipment it is the Group's ambition to be the preferred one stop provider of solutions for garages etc.

The Parent is responsible for the overall management and administration of the Group.

Development in activities and finances

The loss for the year amount to EUR 7,283k which is considered unsatisfactory. The loss is also significantly below the expectations set out in the annual report 2017/18 where an increase to the profit compared to 2017/18 was expected.

As Stenhøj was acquired by Nexion Spa, this lead to a change in accounting principles and estimates. In particular the changes to accounting estimates for valuation of inventory has been the main contributor to the weak result.

Regarding land and buildings, the accounting policy changed from fair value to cost price. Reference is also made to the paragraph "changes to accounting practice" under accounting policies.

Also the new group management have performed a thorough review of all accounting estimates in order to ensure these provide a true and fair view of the financial position. The process of evaluation the accounting estimates for particularly inventories has been the other main factor behind the unsatisfactory loss for the year.

The matters are of a non-recurring nature and no material impact from this is expected going forward as the adopted principles are to be followed on a consistent basis.

Uncertainty relating to recognition and measurement

The annual report is not affected by particular uncertainties in respect to recognition and measurement.

Outlook

For the fiscal year 2020 it was originally expected to realize a minor profit in the level of EUR 3.483k. At the time of adopting the annual report expectations are however revised due to COVID-19 and are in the level of EUR (850)k.

The uncertainty regarding the estimate for the full 2020 is significant as it heavily depends on the speed of which our customers open up for investments following the effects of the COVID-19 pandemic.

Management commentary

Particular risks

Due to the global presence and financial structure the Group is exposed to changes in currency rates and interest levels. This causes the profit, cash flows and equity to be affected by the development in certain currency rates, in particular DKK, EUR, GBP and AUD.

The Group monitor the Group's financial risks centrally and coordinate matters related to liquidity. The Group follow a financial policy setting out a low risk profile in order to ensure that fluctuations from currency rates and interests are only entered into for commercial reasons.

The Group is ensured for ordinary risks related to assets and business interruptions.

Environmental performance

The Group's activities are performed with respect to granted environmental approvals.

The use of materials injurious to the environment in the production process is very limited since these materials to the widest extent possible are substituted by more environmentally neutral materials.

Research and development activities

The Group is developing new products and developing designs on a continuous basis. The sales- and marketing activities also comprise an ongoing development of concepts within sales and service in order to enhance the customer experience. Apart from this no particular development activities are carried out throughout the Group.

Statutory report on corporate social responsibility

The following statement is included with reference to the Danish Financial Statements Act section 99a.

As mentioned under the paragraph "primary activities" the business model of the group is operation within development, production, marketing, sales and service of equipment for the automotive sector.

Stenhoj Group wish to run a well-managed business in line with group values and within balance of customers, employees and shareholders. This is initially lived out by ensuring compliance with all laws and legislations where the Group is present and have operations. Furthermore business activities are conducted with respect to general principles for business ethics which ensure that operations are conducted in a socially responsible manner. A whistleblower function is established in the group in order to ensure reporting of wrongful or unethical actions or behavior.

For these reasons it has not been considered necessary to draw up separate policies for the areas mentioned below. Due to ongoing controlling and monitoring of group activities the risk of noncompliance within these areas are considered very remote.

Management commentary

Environment and climate

We wish to support on a broad basis environmental improvements through reducing energy consumption and improving production methods. The group companies have individual characteristics and local managements are focused on ensuring ongoing improvements to an extent which is feasible. Therefore formal policies have not been drawn up for this area.

Society

Business operations are conducted in a responsible manner in the geographies where the Group is present. The Group wish to act and be perceived as a responsible company operating in line with formal and ethical guidelines. This applies both to the interaction with external customers and business partners as well as employees. Therefore no formal policies have not been drawn up for this area.

Social- and employee matters

Stenhoj operates within countries which have joined the UN human rights convensions. Therefore we have not found it necessary to draw up separate policies within this area.

The Group believes it is important to ensure healthy working conditions and this is an ongoing area of focus in addition to ensuring that all relevant rules are complied with.

Anti corruption and bribery

The Group have not drawn up formal policies within this area since the Group operates in countries where the risk of corruption and bribery is low according to the international corruption index. Furthermore no specific incidents have been identified within this area.

Money laundering and terrorism

The Group is aware of the responsibility to monitor for unusual transactions which could indicate problems within these areas. No such incidents have occurred and it is Group Managements' belief that the risk of this is very low due to operations being conducted within countries where the risk is assessed as low.

Statutory report on the underrepresented gender

The following statement is included with reference to the Danish Financial Statements Act section 99b.

Board of directors

Due to change of ownership there have been changes to the board of directors during the year, which now consist of 4 male and 1 female members. The gender distribution is influenced by 3 board members being selected by the shareholder Nexion SpA in Italy and the remaining 2 members are staff-elected.

It is the ambition to increase the number of female members by 1 before the fiscal year 2024.

Management commentary

Other management levels

At other management levels the current gender ratio is 21% women.

It is the Group's policy to support gender diversity and recognize the benefits of this. Consequently the group wish to support equal opportunities regardless of gender etc. and ensure that hiring processes take into account the benefits of a diversified group of employees. It is the Group's wish to increase the gender balance through these means.

The current gender distribution is however affected by the Group operating within a business with an overweight of males. Upon hiring professional competencies are the most important parameter instead of gender. Employees in the group must experience that they share equal opportunities for career and managerial positions. This development is facilitated through internal performance processes etc.

Events after the balance sheet date

Following the outbreak of COVID-19 the Group experienced a decrease in short-term demand due to uncertainty related to the impacts from the pandemic. Demand have however increased at the time of adopting the annual report but the financial outcome of 2020 is dependent on customers wish to invest in new solutions. Furthermore matters are subject to the continued impact from the pandemic and the effects are inherently uncertain.

The Group expect to make use of aid packages available in the countries where the Group is present in order to minimize the negative economic impacts of COVID-19. Furthermore sufficient funds are considered being available in order to ensure financial stability throughout the fiscal year 2020. It is however no longer considered realistic to obtain a profit for 2020.

Given the inherent uncertainty at the time of approval of the annual report it is not possible for Group Management to quantify in detail the full effect from COVID-19 for the financial year 2020.

No adjustments to the balance at 31 December 2019 have been recognized due to COVID-19.

Beside the description above there have not been any events after the balance date which influence the annual report.

Consolidated income statement for 2018/19

	Notes	2018/19 EUR'000	2017/18 EUR'000
Revenue	2	169.688	108.634
Production costs	4	(125.098)	(77.291)
Gross profit/loss		**44.590**	**31.343**
Distribution costs	4	(20.535)	(10.668)
Administrative expenses	3, 4	(25.694)	(13.677)
Other operating income	5	682	1.981
Other operating expenses		(222)	(399)
Operating profit/loss		**(1.179)**	**8.580**
Income from investments in associates		(157)	45
Other financial income	6	30	75
Other financial expenses		(2.471)	(1.354)
Profit/loss before tax		**(3.777)**	**7.346**
Tax on profit/loss for the year		(3.506)	(1.666)
Profit/loss for the year	7	**(7.283)**	**5.680**

Consolidated balance sheet at 31.12.2019

	Notes	2018/19 EUR'000	2017/18 EUR'000
Completed development projects		1.042	1.282
Acquired trademarks		2.115	1.475
Goodwill		1.947	2.366
Development projects in progress		230	420
Intangible assets	8	**5.334**	**5.543**
Land and buildings		3.668	2.669
Plant and machinery		1.288	1.357
Other fixtures and fittings, tools and equipment		1.255	1.382
Prepayments for property, plant and equipment		124	37
Property, plant and equipment	9	**6.335**	**5.445**
Investments in associates		285	381
Receivables from associates		0	3
Other receivables		253	0
Fixed asset investments	10	**538**	**384**
Fixed assets		**12.207**	**11.372**
Raw materials and consumables		8.666	7.377
Work in progress		1.775	2.316
Manufactured goods and goods for resale		11.790	13.418
Prepayments for goods		0	204
Inventories		**22.231**	**23.315**
Trade receivables		14.165	15.885
Contract work in progress		178	102
Receivables from group enterprises		0	1.518
Deferred tax	12	1.393	1.366
Other receivables		1.139	1.416
Income tax receivable		0	309
Prepayments		855	1.013
Receivables		**17.730**	**21.609**
Cash		**1.219**	**615**
Current assets		**41.180**	**45.539**
Assets		**53.387**	**56.911**

Consolidated balance sheet at 31.12.2019

	Notes	2018/19 EUR'000	2017/18 EUR'000
Contributed capital		2.333	2.339
Reserve for net revaluation according to the equity method		83	240
Reserve for development expenditure		935	230
Retained earnings		1.845	9.605
Proposed dividend		0	671
Equity attributable to the Parent's owners		**5.196**	**13.085**
Share of equity attributable to minority interests		**250**	**157**
Equity		**5.446**	**13.242**
Provisions for pension liabilities etc		586	254
Other provisions		476	0
Provisions		**1.062**	**254**
Mortgage debt		2.225	2.676
Finance lease liabilities		901	511
Debt to other credit institutions		2.586	3.194
Prepayments received from customers		0	238
Income tax payable		0	105
Other payables		0	669
Non-current liabilities other than provisions	13	**5.712**	**7.393**

Consolidated balance sheet at 31.12.2019

	Notes	2018/19 EUR'000	2017/18 EUR'000
Current portion of long-term liabilities other than provisions	13	1.412	2.749
Bank loans		18.982	9.934
Prepayments received from customers		2.076	1.430
Trade payables		9.550	11.596
Payables to group enterprises		299	0
Income tax payable		182	1.397
Other payables		8.666	8.916
Current liabilities other than provisions		**41.167**	**36.022**
Liabilities other than provisions		**46.879**	**43.415**
Equity and liabilities		**53.387**	**56.911**

Events after the balance sheet date	1
Associates	11
Contingent liabilities	16
Assets charged and collateral	17
Transactions with related parties	18
Subsidiaries	19

Consolidated statement of changes in equity for 2018/19

	Contributed capital EUR'000	Reserve for net revaluation according to the equity method EUR'000	Reserve for development expenditure EUR'000	Retained earnings EUR'000
Equity beginning of year	2.339	240	230	9.605
Ordinary dividend paid	0	0	0	0
Exchange rate adjustments	(6)	0	0	126
Transfer to reserves	0	(157)	705	(548)
Profit/loss for the year	0	0	0	(7.338)
Equity end of year	**2.333**	**83**	**935**	**1.845**

	Proposed dividend EUR'000	Share of equity attributable to minority interests EUR'000	Total EUR'000
Equity beginning of year	671	157	13.242
Ordinary dividend paid	(671)	0	(671)
Exchange rate adjustments	0	38	158
Transfer to reserves	0	0	0
Profit/loss for the year	0	55	(7.283)
Equity end of year	**0**	**250**	**5.446**

Consolidated cash flow statement for 2018/19

	Notes	2018/19 EUR'000	2017/18 EUR'000
Operating profit/loss		(1.179)	8.644
Amortisation, depreciation and impairment losses		2.987	(243)
Working capital changes	14	1.161	(5.865)
Other adjustments		(157)	109
Cash flow from ordinary operating activities		**2.812**	**2.645**
Financial income received		30	52
Financial expenses paid		(2.471)	(1.332)
Income taxes refunded/(paid)		(4.517)	(1.095)
Other cash flows from operating activities	15	(27)	0
Cash flows from operating activities		**(4.173)**	**270**
Acquisition etc of intangible assets		(1.517)	(842)
Sale of intangible assets		254	1.047
Acquisition etc of property, plant and equipment		(2.425)	(970)
Sale of property, plant and equipment		115	0
Acquisition of enterprises		0	(4.547)
Disposal of enterprises		0	2.325
Dividends received from associates		99	163
Cash flows from investing activities		**(3.474)**	**(2.824)**
Loans raised		390	4.768
Repayments of loans etc		(2.396)	(4.177)
Incurrence of debt to group enterprises		1.817	0
Dividend paid		(671)	(403)
Udlån til modervirksomhed		0	(37)
Cash flows from financing activities		**(860)**	**151**
Increase/decrease in cash and cash equivalents		**(8.507)**	**(2.403)**
Cash and cash equivalents beginning of year		(9.319)	(6.927)
Currency translation adjustments of cash and cash equivalents		63	11
Cash and cash equivalents end of year		**(17.763)**	**(9.319)**

Consolidated cash flow statement for 2018/19

	Notes	2018/19 EUR'000	2017/18 EUR'000
Cash and cash equivalents at year-end are composed of:			
Cash		1.219	615
Short-term debt to banks		(18.982)	(9.934)
Cash and cash equivalents end of year		**(17.763)**	**(9.319)**

Notes to consolidated financial statements

1. Events after the balance sheet date

Following the outbreak of COVID-19 the Group experienced a decrease in short-term demand due to uncertainty related to the impacts from the pandemic. Demand have however increased at the time of adopting the annual report but the financial outcome of 2020 is dependent on customers wish to invest in new solutions. Furthermore matters are subject to the continued impact from the pandemic and the effects are inherently uncertain.

The Group expect to make use of aid packages available in the countries where the Group is present in order to minimize the negative economic impacts of COVID-19. Furthermore sufficient funds are considered being available in order to ensure financial stability throughout the fiscal year 2020. It is however no longer considered realistic to obtain a profit for 2020.

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No adjustments to the balance at 31 December 2019 have been recognized due to COVID-19.

Beside the description above there have not been any events after the balance date which influence the annual report.

	2018/19 EUR'000	**2017/18 EUR'000**
2. Revenue		
DK	21.595	12.788
DE	44.314	33.083
UK	45.576	28.971
Rest Western Europe	35.741	20.178
Rest of the world	22.462	13.614
	169.688	**108.634**

The Company has not disclosed the breakdown of revenue by business segments, see section 96(1) of the Danish Financial Statements Act, as Management is of the opinion that such disclosure could be highly detrimental to the Company. The reason is that is operating in a highly competitive market where information about business segments will damage it market position.

Notes to consolidated financial statements

	2018/19 EUR'000	2017/18 EUR'000
3. Fees to the auditor appointed by the Annual General Meeting		
Statutory audit services	111	63
Other assurance engagements	3	1
Tax services	5	53
Other services	174	112
	293	**229**

For 2018/19 the appointed auditor is Deloitte. For 2017/18 the auditor was EY.

	2018/19 EUR'000	2017/18 EUR'000
4. Staff costs		
Wages and salaries	43.732	28.263
Pension costs	3.053	3.227
Other social security costs	3.244	1.135
	50.029	**32.625**
Average number of employees	**647**	**620**

	Remunera-tion of manage-ment 2018/19 EUR'000
Executive Board	770
Board of Directors	728
	1.498

5. Other operating income

Other operating income in the financial year 2017/18 primarily relates to gains from disposal of business activities.

	2018/19 EUR'000	2017/18 EUR'000
6. Other financial income		
Financial income arising from group enterprises	0	36
Other interest income	30	39
	30	**75**

Notes to consolidated financial statements

	2018/19 EUR'000	2017/18 EUR'000
7. Proposed distribution of profit/loss		
Retained earnings	(7.338)	5.645
Minority interests' share of profit/loss	55	35
	(7.283)	**5.680**

	Completed development projects EUR'000	Acquired trademarks EUR'000	Goodwill EUR'000	Development projects in progress EUR'000
8. Intangible assets				
Cost beginning of year	3.301	1.564	2.938	420
Exchange rate adjustments	(4)	(5)	(7)	0
Additions	747	760	10	0
Disposals	(42)	0	(22)	(190)
Cost end of year	**4.002**	**2.319**	**2.919**	**230**
Amortisation and impairment losses beginning of year	(2.019)	(89)	(572)	0
Exchange rate adjustments	15	0	(2)	0
Impairment losses for the year	0	0	(386)	0
Amortisation for the year	(956)	(115)	0	0
Reversal regarding disposals	0	0	(12)	0
Amortisation and impairment losses end of year	**(2.960)**	**(204)**	**(972)**	**0**
Carrying amount end of year	**1.042**	**2.115**	**1.947**	**230**

Development projects

The basis for capitalising the development projects are that these reflect investments in products and technologies of importance to the future business of the group since they are expected to ensure a competitive edge in the market. No indications of impairment was identified at the balance sheet date.

Notes to consolidated financial statements

9. Property, plant and equipment	Land and buildings EUR'000	Plant and machinery EUR'000	Other fixtures and fittings, tools and equipment EUR'000	Prepay-ments for property, plant and equipment EUR'000
Cost beginning of year	11.618	7.185	8.591	37
Exchange rate adjustments	(162)	(22)	111	0
Additions	1.235	374	729	87
Disposals	0	(8)	(1.203)	0
Cost end of year	**12.691**	**7.529**	**8.228**	**124**
Depreciation and impairment losses beginning of year	(8.949)	(5.828)	(7.209)	0
Exchange rate adjustments	283	9	(104)	0
Depreciation for the year	(357)	(425)	(748)	0
Reversal regarding disposals	0	3	1.088	0
Depreciation and impairment losses end of year	**(9.023)**	**(6.241)**	**(6.973)**	**0**
Carrying amount end of year	**3.668**	**1.288**	**1.255**	**124**

10. Fixed asset investments	Investments in associates EUR'000	Other receivables EUR'000
Cost beginning of year	141	0
Additions	0	253
Cost end of year	**141**	**253**
Revaluations beginning of year	240	0
Share of profit/loss for the year	(96)	0
Revaluations end of year	**144**	**0**
Carrying amount end of year	**285**	**253**

11. Associates	Registered in	Equity inte-rest %
Verksted & Industriservice AS	Ski, Norge	45,0

Notes to consolidated financial statements

	2018/19 EUR'000
12. Deferred tax	
Changes during the year	
Beginning of year	1.058
Recognised in the income statement	335
End of year	**1.393**

The value of deferred tax assets mainly related to tax losses carried forward. The recognized value of the tax assets reflect the amount which is considered likely to be utilized within the joint taxation over the following 3 years. The carrying amount have been considered at year end and adjusted accordingly.

	Due within 12 months 2018/19 EUR'000	Due within 12 months 2017/18 EUR'000	Due after more than 12 months 2018/19 EUR'000
13. Liabilities other than provisions			
Mortgage debt	1.412	2.749	2.225
Finance lease liabilities	0	0	901
Debt to other credit institutions	0	0	2.586
	1.412	**2.749**	**5.712**

	2018/19 EUR'000	2017/18 EUR'000
14. Change in working capital		
Increase/decrease in inventories	1.084	(4.965)
Increase/decrease in receivables	1.902	(3.648)
Increase/decrease in trade payables etc	(1.825)	2.748
	1.161	**(5.865)**

15. Other cash flows from operating activities

♥ Andre pengestrømme

16. Contingent liabilities

The Entity serves as an administration company in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for these entities.

17. Assets charged and collateral

Mortgage debt is secured by way of mortgage on properties. The mortgage also comprises the plant and machinery deemed part of the property.

Notes to consolidated financial statements

Bank loans are secured by way of a floating charge of 8.032 k.EUR. The assets covered by the floating charge amount to 10.793 k.EUR and comprises receivables from sales, inventory, intangible and tangible assets.

18. Transactions with related parties

During the financial year, related party transactions have been conducted on an arm's length basis.

19. Subsidiaries	Registered in	Corpo - rate form	Equity inte- rest %
Stenhøj A/S	Barrit	A/S	100,0
Stenhøj DK A/S	Barrit	A/S	100,0
GEMCO Corporate Management Ltd.	Northampton, England	Ltd	100,0
GEMCO Equipment Ltd.	Northampton, England	Ltd	100,0
GEMCO Service Ltd.	Hebden Bridge, England	Ltd	100,0
GEMCO Property Management Ltd.	Hebden Bridge, England	Ltd	100,0
STH Holding GmbH	Rheine, Tyskland	GmbH	100,0
Autop Maschinenbau GmbH	Rheine, Tyskland	GmbH	100,0
Sherpa Autodiagnostik GmbH	Mühldorf an Inn, Tyskland	GmbH	100,0
Perkute Autodiagnostik GmbH	Rheine, Tyskland	GmbH	100,0
Stenhøj Romania SRL	Cluj, Rumænien	SRL	100,0
Stenhoj PTY Ltd.	Mona Vale, Australien	Ltd	85,0
Stenhöj Sverige AB	Billdall, Sverige	AB	75,0
Stenhoj Asia Ltd.	Wanchai, Hong Kong	Ltd	100,0
Stenhoj Instrument Foschan Co. Ltd.	Foshan, Kina	Ltd	100,0
Tecalemit OY	Vantaa, Finland	OY	100,0
UAB Tecalemit	Vilnius, Litauen	Ltd	100,0
Tecalemit AS	Talinn, Estland	AS	100,0

Parent income statement for 2018/19

	Notes	2018/19 EUR'000	2017/18 EUR'000
Revenue		5.628	4.079
Gross profit/loss		**5.628**	**4.079**
Distribution costs		(58)	(11)
Administrative expenses	1	(9.366)	(4.845)
Other operating income		189	92
Other operating expenses		10	(356)
Operating profit/loss		**(3.597)**	**(1.041)**
Income from investments in group enterprises		(3.582)	6.596
Income from investments in associates		(157)	11
Other financial income	2	535	421
Other financial expenses		(643)	(574)
Profit/loss before tax		**(7.444)**	**5.413**
Tax on profit/loss for the year	3	106	232
Profit/loss for the year	4	**(7.338)**	**5.645**

Parent balance sheet at 31.12.2019

	Notes	2018/19 EUR'000	2017/18 EUR'000
Completed development projects		888	531
Acquired trademarks		1.364	1.475
Goodwill		0	0
Development projects in progress		231	420
Intangible assets	5	**2.483**	**2.426**
Land and buildings		733	988
Plant and machinery		1.110	1.135
Other fixtures and fittings, tools and equipment		313	254
Property, plant and equipment	6	**2.156**	**2.377**
Investments in group enterprises		17.199	20.555
Receivables from group enterprises		2.579	2.489
Investments in associates		224	381
Receivables from associates		0	3
Fixed asset investments	7	**20.002**	**23.428**
Fixed assets		**24.641**	**28.231**
Receivables from group enterprises		9.712	8.339
Deferred tax	8	897	792
Other receivables		261	478
Income tax receivable		0	184
Prepayments	9	102	130
Receivables		**10.972**	**9.923**
Cash		**5**	**2**
Current assets		**10.977**	**9.925**
Assets		**35.618**	**38.156**

Parent balance sheet at 31.12.2019

	Notes	2018/19 EUR'000	2017/18 EUR'000
Contributed capital		2.339	2.339
Reserve for net revaluation according to the equity method		240	240
Reserve for development expenditure		880	230
Retained earnings		1.737	9.605
Proposed dividend		0	671
Equity		**5.196**	**13.085**
Mortgage debt		2.242	2.775
Finance lease liabilities		586	483
Debt to other credit institutions		1.745	2.796
Other payables		32	0
Non-current liabilities other than provisions	10	**4.605**	**6.054**
Current portion of long-term liabilities other than provisions	10	1.305	2.230
Payables to other credit institutions		14.953	6.773
Trade payables		327	501
Payables to group enterprises		8.429	7.605
Other payables		803	1.908
Current liabilities other than provisions		**25.817**	**19.017**
Liabilities other than provisions		**30.422**	**25.071**
Equity and liabilities		**35.618**	**38.156**
Contingent liabilities	11		
Assets charged and collateral	12		
Related parties with controlling interest	13		
Transactions with related parties	14		

Parent statement of changes in equity for 2018/19

	Contributed capital EUR'000	Reserve for net revaluation according to the equity method EUR'000	Reserve for development expenditure EUR'000	Retained earnings EUR'000
Equity beginning of year	2.339	240	230	9.605
Ordinary dividend paid	0	0	0	0
Exchange rate adjustments	0	0	0	107
Other entries on equity	0	0	0	13
Transfer to reserves	0	0	650	(650)
Profit/loss for the year	0	0	0	(7.338)
Equity end of year	**2.339**	**240**	**880**	**1.737**

	Proposed dividend EUR'000	Total EUR'000
Equity beginning of year	671	13.085
Ordinary dividend paid	(671)	(671)
Exchange rate adjustments	0	107
Other entries on equity	0	13
Transfer to reserves	0	0
Profit/loss for the year	0	(7.338)
Equity end of year	**0**	**5.196**

Notes to parent financial statements

	2018/19 EUR'000	2017/18 EUR'000
1. Staff costs		
Wages and salaries	4.602	1.968
Pension costs	203	127
Other social security costs	50	33
	4.855	**2.128**
Average number of employees	**15**	

Remuneration of the Excecutive Board is not disclosed with reference to S. 98(3) of the Danish Financial Statements Act.

	2018/19 EUR'000	2017/18 EUR'000
2. Other financial income		
Financial income arising from group enterprises	436	406
Exchange rate adjustments	85	8
Other financial income	14	7
	535	**421**

	2018/19 EUR'000	2017/18 EUR'000
3. Tax on profit/loss for the year		
Change in deferred tax	(106)	(231)
Adjustment concerning previous years	0	(1)
	(106)	**(232)**

	2018/19 EUR'000	2017/18 EUR'000
4. Proposed distribution of profit/loss		
Ordinary dividend for the financial year	0	672
Retained earnings	(7.338)	4.973
	(7.338)	**5.645**

Notes to parent financial statements

	Completed development projects EUR'000	Acquired trademarks EUR'000	Goodwill EUR'000	Development projects in progress EUR'000
5. Intangible assets				
Cost beginning of year	1.127	1.564	17	420
Additions	627	0	0	0
Disposals	0	0	0	(189)
Cost end of year	**1.754**	**1.564**	**17**	**231**
Amortisation and impairment losses beginning of year	(596)	(89)	(17)	0
Amortisation for the year	(270)	(111)	0	0
Amortisation and impairment losses end of year	**(866)**	**(200)**	**(17)**	**0**
Carrying amount end of year	**888**	**1.364**	**0**	**231**

Development projects

The basis for capitalising the development projects are that these reflect investments in products and technologies of importance to the future business of the group since they are expected to ensure a competitive edge in the market. No indications of impairment was identified at the balance sheet date.

	Land and buildings EUR'000	Plant and machinery EUR'000	Other fixtures and fittings, tools and equipment EUR'000
6. Property, plant and equipment			
Cost beginning of year	7.993	6.711	2.466
Additions	44	373	226
Disposals	0	0	(115)
Cost end of year	**8.037**	**7.084**	**2.577**
Depreciation and impairment losses beginning of year	(7.005)	(5.576)	(2.212)
Depreciation for the year	(299)	(398)	(164)
Reversal regarding disposals	0	0	112
Depreciation and impairment losses end of year	**(7.304)**	**(5.974)**	**(2.264)**
Carrying amount end of year	**733**	**1.110**	**313**

Notes to parent financial statements

7. Fixed asset investments	Investments in group enterprises EUR'000	Receivables from group enterprises EUR'000	Investments in associates EUR'000	Receivables from associates EUR'000
Cost beginning of year	22.247	2.489	141	3
Additions	0	90	0	0
Disposals	0	0	0	(3)
Cost end of year	**22.247**	**2.579**	**141**	**0**
Revaluations beginning of year	(1.692)	0	240	0
Adjustments on equity	0	0	(19)	0
Share of profit/loss for the year	(3.356)	0	(76)	0
Dividend	0	0	(62)	0
Revaluations end of year	**(5.048)**	**0**	**83**	**0**
Carrying amount end of year	**17.199**	**2.579**	**224**	**0**

A specification of investments in subsidiaries is evident from the notes to the consolidated financial statements.

8. Deferred tax	2018/19 EUR'000
Changes during the year	
Beginning of year	792
Recognised in the income statement	105
End of year	**897**

The value of deferred tax assets mainly related to tax losses carried forward. The recognized value of the tax assets reflect the amount which is considered likely to be utilized within the joint taxation over the following 3 years. The carrying amount have been considered at year end and adjusted accordingly.

9. Prepayments

Prepayments comprise prepaid costs regarding licenses, contingents and insurances etc.

Notes to parent financial statements

	Due within 12 months 2018/19 EUR'000	Due within 12 months 2017/18 EUR'000	Due after more than 12 months 2018/19 EUR'000
10. Liabilities other than provisions			
Mortgage debt	285	383	2.242
Finance lease liabilities	258	151	586
Debt to other credit institutions	762	1.696	1.745
Other payables	0	0	32
	1.305	**2.230**	**4.605**

11. Contingent liabilities

The company guarantees for bank debt etc. in subsidiaries. The guarantees amounts to 22,061 k.EUR.

The Entity serves as the administration company in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for these entities.

12. Assets charged and collateral

Mortgage debt is secured by way of mortgage on buildings. The mortgage also comprises the plant and machinery deemed part of the property.

The carrying amount of mortgaged buildings amounts to 733 k.EUR.

In addition to the parent company's own obligations, the mortgage is collateral for the bank's balances with a number of subsidiaries.

13. Related parties with controlling interest

The following parties own more than 50% of the share capital or votes.

- Nexion S.p.A, Corregio, shareholder

14. Transactions with related parties

During the financial year, related party transactions have been conducted on an arm’s length basis.

Accounting policies

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

Non-comparability
The financial years are not comparable do to a change in length off the financial year. The financial year 2018/19 cover 18 months and the financial year 2017/18 cover 12 months.

Changes in accounting policies
Management have decided to change the accounting practice for measurement of land and buildings. This was previously measured at fair value but this has changed to the cost price price method. This has reduced the carrying amount of land and buildings as well as equity.

The effect on the comparative figures for the fiscal year 2017/18 regarding the consolidated financial statement are as follows:
Profit for the year: EUR (57)k
Land & buildings: EUR (6.656)k
Deferred tax: EUR 1.466k
Equity: 5.229k

The effect on the comparative figures for the fiscal year 2017/18 regarding the parent financial statement are as follows:
Profit for the year: EUR (56)k
Land & buildings: EUR (5.269)k
Investments in group enterprises: EUR (1.085)k
Deferred tax: EUR 1.159k
Equity: 5.229k

Furthermore the annual report is now presented in EUR instead of DKK. This change is decided with regards to the viewers of the financial statements on a collective basis.

Changes in accounting estimates
During the year Management have adopted different assumptions for the assessments related to valuation of inventories, recognition of guarantee provisions and valuation of trade receivables. This have caused a negative impact on the loss for the year 2018/19.

Consolidated financial statements
The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence. Enterprises

Accounting policies

in which the Group, directly or indirectly, holds between 20% and 50% of the voting rights and exercises significant, but not controlling influence are regarded as associates.

Basis of consolidation

The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements. Minority interests' proportionate share of profit or loss is presented as a separate item in Management's proposal for distribution of profit or loss, and their share of subsidiaries' net assets is presented as a separate item in group equity.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the acquisition date, with net assets having been calculated at fair value.

Business combinations

Newly acquired or newly established enterprises are recognised in the consolidated financial statements from the time of acquiring or establishing such enterprises. Divested or wound-up enterprises are recognised in the consolidated income statement up to the time of their divestment or winding-up.

The purchase method is applied at the acquisition of new enterprises, under which identifiable assets and liabilities of these enterprises are measured at fair value at the acquisition date. Provisions for costs of restructuring of the enterprise acquired are only made in so far as such restructuring was decided by the enterprise acquired prior to acquisition. Allowance is made for the tax effect of restatements.

Positive differences in amount (goodwill) between cost of the acquired share and fair value of the assets and liabilities taken over are recognised under intangible assets, and they are amortised systematically over the income statement based on an individual assessment of their useful life. Useful life is reassessed annually.

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 non-monetary 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.

Accounting policies

Goodwill is considered belonging to the independent foreign entity and is translated using the exchange rate 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 recognised directly in 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.

When recognising foreign subsidiaries that are integral entities, monetary assets and liabilities are translated using the exchange rates at the balance sheet date. Non-monetary assets and liabilities are translated at the exchange rate of the time of acquisition or the time of any subsequent revaluation or writedown. The items of the income statement are translated at the average rates of the months; however, items deriving from non-monetary assets and liabilities are translated using the historical rates applicable to the relevant non-monetary items.

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

Contract work in progress is included in revenue based on the stage of completion so that revenue corresponds to the selling price of the work performed in the financial year.

Revenue from services rendered, including service agreements, are recognised either at the time of delivery or over the service period on a linear basis.

Production costs
Production costs comprise expenses incurred to earn revenue for the financial year. Production costs comprise direct and indirect costs for raw materials and consumables, wages and salaries, rent and lease as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment included in the production process. In addition, the item includes ordinary writedown of inventories.

Distribution costs
Distribution costs comprise costs incurred for sale and distribution of the Entity's products, including wages and salaries for sales staff, advertising costs, travelling and entertainment expenses, etc as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment attached to the distribution process.

Administrative expenses
Administrative expenses comprise costs incurred for the Entity's administrative functions, including wages and salaries for administrative staff and Management, stationery and office supplies as well as amortisation,

Accounting policies

depreciation and impairment losses relating to intangible assets and property, plant and equipment used for administration of the Entity.

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

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

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 internal 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 internal profits or losses.

Other financial income
Other financial income comprises dividends etc received on other investments, 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
Goodwill
Goodwill is the positive difference between cost and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. The amortisation periods used are 5-20 years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

Accounting policies

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 less deferred tax 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 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.

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

Property, plant and equipment
Land and buildings, plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

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

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

Buildings	25 years
Plant and machinery	5-10 years
Other fixtures and fittings, tools and equipment	3-5 years

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.

Accounting policies

Investments in group enterprises
In the parent financial statements, 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 en-terprises 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 will involve a loss, a provision is recognised that is measured at present value of the costs necessary to settle the obligations at the balance sheet date.

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 enterprises' equity values.

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 will involve a loss, a provision is recognised that is measured at present value of the costs necessary to settle the obligations at the balance sheet date.

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.

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

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

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation on of and impairment losses relating to machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management. Finance costs are not included in cost.

Accounting policies

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Contract work in progress
Contract work in progress is measured at the selling price of the work carried out at the balance sheet date.

The selling price is measured based on the stage of completion and the total estimated income from the individual contracts in progress. Usually, the stage of completion is determined as the ratio of actual to total budgeted consumption of resources.

If the selling price of a project in progress cannot be made up reliably, it is measured at the lower of costs incurred and net realisable value.

Each contract in progress is recognised in the balance sheet under receivables or liabilities other than provisions, depending on whether the net value, calculated as the selling price less prepayments received, is positive or negative.

If the outfall of contract work in progress is not possible to estimate with sufficient reliability revenue is only recognized in accordance with costs incurred, to the extent they are considered recoverable.

Deferred tax
Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset or the planned settlement of each liability.

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

Cash
Cash comprises cash in hand and bank deposits.

Dividend
Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity. Extraordinary dividend adopted in the financial year is recognised directly in equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

Minority interests
Minority interests consist of non-controlling interests' share of equity in subsidiaries not 100% owned by the Parent.

Provisions for pension liabilities etc
Provisions for pensions etc are measured at net realisable value equal to the present value of expected

Accounting policies

payments by the individual pension schemes etc.

Other provisions
Other provisions comprise anticipated costs of non-recourse guarantee commitments, returns, loss on contract work in progress, decided and published restructuring, etc.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

Non-recourse guarantee commitments comprise commitments to remedy defects and deficiencies within the guarantee period.

Once it is probable that total costs will exceed total income from a contract in progress, provision is made for the total loss estimated to result from the relevant contract.

Mortgage debt
At the time of borrowing, mortgage debt to mortgage credit institutions is measured at cost which corresponds to the proceeds received less transaction costs incurred. Mortgage debt is subsequently measured at amortised cost. This means that the difference between the proceeds at the time of borrowing and the nominal repayable amount of the loan is recognised in the income statement as a financial expense over the term of the loan applying the effective interest method.

Finance lease liabilities
Lease commitments relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease commitments are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

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

Prepayments received from customers
Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

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

Cash flow statement
The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Accounting policies

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, inception of finance leases, instalments on interest-bearing debt, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less short-term bank loans.