

HANDICARE AUTO A/S

Baggeskærvej 48, DK-7400 Herning

ANNUAL REPORT 2019

1 JANUARY – 31 DECEMBER 2019

CVR 18 66 91 37

The Annual Report was presented and
adopted at
the Annual General Meeting of the
Company on

30/6 2020

Niels Høj
Chairman

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MANAGEMENT'S STATEMENT

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Handicare Auto A/S for the financial year 1 January - 31 December 2019.

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

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2019 and of the results of its operations and cash flows for the financial year 2019.

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

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


Herning, 30 June 2020

Executive Board

Kenneth Peter Jensen
Managing Director

Board of Directors


Jens Amdi Kirk
Chairman


Kenneth Peter Jensen


Nicolai Mølgaard

INDEPENDENT AUDITOR'S REPORT

To the shareholder of Handicare Auto A/S

Opinion

We have audited the financial statements of Handicare Auto A/S for the financial year 1 January – 31 December 2019, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including 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 financial position of the Company at 31 December 2019 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 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 additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance as to 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 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 the financial statements.

INDEPENDENT AUDITOR'S REPORT

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, 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 Management's Review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

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

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

INDEPENDENT AUDITOR'S REPORT

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Herning, 30 June 2020

ERNST & YOUNG

Godkendt Revisionspartnerselskab

CVR-no 30 70 02 28



Lene Thorgård Andersen

State Authorised Public Accountant

mne42790

COMPANY INFORMATION

The Company

Handicare Auto A/S

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DK-7400 Herning

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Website; www.handimobil.dk

E-mail: finance@handimobil.dk

CVR no: 18 66 91 37

Financial Year: 1 January – 31 December

Municipality of reg. office: Herning, Denmark

Board of Directors

Jens Amdi Kirk, Chairman

Kenneth Peter Jensen

Nicolai Mølgaard

Executive Board

Kenneth Peter Jensen

Auditors

Ernst & Young

Godkendt Revisionspartnerselskab

Industrivej Nord 9

7400 Herning

Bankers

Danske Andelskassers Bank A/S

DNB

FINANCIAL HEADLIGHTS

Seen over a 5-year period, the development of the Company may be described by means of the following financial highlights:

	2019	2018	2017	2016	2015
	DKK	DKK	DKK	DKK	DKK
Key figures					
Profit and loss					
Gross profit	23.633	26.482	33.750	39.198	40.018
Profit before financial income and expenses	-8.589	-8.881	-4.854	1.129	2.881
Net financials	-588	-68	-246	-6	6
Net profit for the year	-7.306	-6.976	-4.099	863	2.196
Balance sheet					
Balance sheet total	68.705	60.709	65.670	58.485	57.122
Equity	16.417	23.723	30.699	34.798	33.935
Investment in property, plant and equipment	-227	-1.474	-2.374	-1.932	-1.004
Other information					
Average number of employees	58	63	67	66	65
Ratios					
Return on assets	-12,5%	-14,6%	-7,4%	1,9%	5,0%
Solvency ratio	23,9%	39,1%	46,7%	59,5%	59,4%
Return on equity	-36,4%	-25,6%	-12,5%	2,5%	6,7%

The financial ratios have been calculated in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see the summary of significant accounting policies.

MANAGEMENT'S REVIEW

Main activity

The Company's primary activities are construction of bodywork, especially construction and adaptations of vehicles suitable for disabled persons as well as distribution of spareparts for construction of bodywork

Change in ownership

In December 2019 Handicare Auto A/S was sold to Autosolutions ApS, based in Randers, Denmark. Autosolutions ApS is owned by two private investors with a deep knowledge and long experience from the auto business related to construction and adaptations of vehicles for disabled persons.

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

The Company's income statement for the year ended 31. December 2019 shows a loss of DKK 7.306k. Included in the result for 2019 is considerable costs for restructuring of the organization. Still, the result did not meet expectations and is not considered satisfactory.

The Company's balance sheet at 31. December 2019 shows equity of DKK 16.417k.

Change in accounting principles

To be aligned with the new Groups's accounting principles, contract work in progress is no longer measured at the selling price of the work performed but instead at the cost price incurred. Comparison figures have been changed accordingly, referring to the section on Accounting Principles.

Targets and expectations for the coming year

Following the restructuring of the organization, a thorough review of the cost base, implementation of new IT systems and streamlining the business in general, the Company expects positive earnings in 2020.

Impact on the external environment

The Company's activities have minimal impact on the environment

Research and development activities

The company develops products that are later used in the construction of cars suitable for disabled persons.

Subsequent events

The ongoing virus outbreak Covid-19 has naturally had a substantial effect on the Company with lockdown and delay in incoming orders. However, with the government economic aid packages it is the management's opinion that the Company will still meet it's financial objectives for 2020. A potential unfavorable effect will depend on the duration of the outbreak.

The business area for selling spareparts domestic and abroad has been transferred to the group related entity, Autoproducts ApS in 2020. The remaining activity in Handicare Auto A/S is now only focused on the business for constructing vehicles to disabled persons and similar.

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

INCOME STATEMENT 1 JANUARY - 31 DECEMBER 2019

	Note	2019 DKK	2018 DKK
Gross profit		23.632.989	26.481.567
Staff expenses	1	-29.919.189	-33.255.782
Depreciation of tangible assets		-2.302.680	-2.106.552
Profit before financial income and expenses		-8.588.880	-8.880.767
Financial income	2	7.975	28.191
Financial expenses	3	-596.463	-95.944
Profit before tax		-9.177.368	-8.948.520
Tax on profit/loss for the year	4	1.871.096	1.972.395
Net profit for the year		-7.306.272	-6.976.125
Distribution of profit	5		

BALANCE SHEET 31 DECEMBER

	Note	2019 DKK	2018 DKK
Assets			
Development projects completed		0	940.793
Goodwill		25.000	243.675
Intangible assets	6	25.000	1.184.468
Other fixtures and fittings, tools and equipment		2.552.500	3.320.180
Leasehold improvements		146.922	256.678
Property, plant and equipment	7	2.699.422	3.576.858
Fixed assets in total		2.724.422	4.761.326
Inventories	8	30.155.536	24.165.450
Trade receivables		20.326.014	23.403.956
Receivables from group enterprises		156.250	667.740
Other receivables		3.612.298	3.209.396
Deferred tax asset	11	4.043.660	2.312.703
Corporation tax		335.566	215.536
Prepayments	9	445.101	1.612.747
Receivables		28.918.889	31.422.078
Cash at bank and in hand		6.905.795	360.556
Current assets in total		65.980.220	55.948.084
Assets		68.704.642	60.709.410

BALANCE SHEET 31 DECEMBER

	Note	2019 DKK	2018 DKK
Liabilities and equity			
Share capital	10	2.000.000	2.000.000
Reserve for development costs		0	537.339
Retained earnings		14.416.926	21.185.859
Equity		16.416.926	23.723.198
Lease obligations		0	1.612.996
Long-term debt	12	0	1.612.996
Credit institutions	12	19.990.841	0
Lease liability	12	1.608.404	337.000
Prepayments received from customers		1.029.203	0
Trade payables		21.945.012	21.143.235
Payables to group enterprises		0	5.309.975
Other payables		7.714.256	8.583.006
Short-term debt		52.287.716	35.373.216
Total debt		52.287.716	36.986.212
Liabilities and equity		68.704.642	60.709.410
Contingent assets, liabilities and other financial obligations	13		
Related parties and ownership	14		

STATEMENT ON CHANGES IN EQUITY

	Share capital	Reserve for development costs	Retained earnings	Total
	DKK	DKK	DKK	DKK
Equity 1 January 2018	2.000.000	408.520	28.569.508	30.978.028
Effect of change in accounting principles	0	0	-278.705	-278.705
Equity 1. januar 2018, adjusted	2.000.000	408.520	28.290.803	30.699.323
Net profit for the year	0	128.819	-7.104.944	-6.976.125
Equity 1 January 2019	2.000.000	537.339	21.185.859	23.723.198
Net profit for the year	0	-537.339	-6.768.933	-7.306.272
Equity 31 December 2019	2.000.000	0	14.416.926	16.416.926

CASH FLOW STATEMENT 1 JANUARY 2019 - 31 DECEMBER 2019

	Note	2019 DKK	2018 DKK
Profit before tax		-9.177.368	-8.948.520
Adjustments	15	2.891.168	2.319.765
Change in working capital	16	-3.126.976	7.183.127
Cash flows from operating activities before financial income and expenses		-9.413.176	554.372
Financial income		7.975	28.191
Financial expenses		-596.463	-95.944
Cash flows from ordinary activities		-10.001.664	486.619
Corporation tax paid		20.109	151.843
Cash flows from operating activities		-9.981.555	638.462
Purchase of intangible assets		-93.516	-556.790
Purchase of property, plant and equipment		-227.260	-1.474.350
Sale of property, plant and equipment		55.000	907.500
Cash flows from investing activities		-265.776	-1.123.640
Repayment of lease liability		-341.592	-1.200.018
New lease liabilities		0	878.030
Cash flows from financing activities		-341.592	-321.988
Change in cash and cash equivalents		-10.588.923	-807.166
Cash and cash equivalents at 1 January 2019		-2.496.123	-1.688.957
Cash and cash equivalents at 31 December 2019		-13.085.046	-2.496.123
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		6.905.795	360.556
Other short-term debt to credit institutions		-19.990.841	0
Group cash-pool		0	-2.856.679
		-13.085.046	-2.496.123

NOTES TO THE ANNUAL REPORT

	2019	2018
	DKK	DKK
1 Staff expenses		
Wages and salaries	26.759.031	29.739.616
Pensions	2.024.263	2.165.055
Other social security expenses	726.877	814.726
Other staff expenses	409.018	536.385
	29.919.189	33.255.782
By reference to section 98b(3), (ii), of the Danish Financial Statements Act, remuneration to Management is not disclosed.		
Average number of employees	58	63
2 Financial income		
Other financial income	7.975	8.339
Exchange adjustments	0	19.852
	7.975	28.191
3 Financial expenses		
Other financial expenses	437.305	95.944
Exchange adjustments	33.639	0
	596.463	95.944
4 Tax on profit/loss for the year		
Current tax for the year	-140.139	-151.843
Deferred tax for the year	-1.872.066	-1.820.552
Adjustment of tax concerning previous years	141.109	0
	-1.871.096	-1.972.395
5 Distribution of profit		
Reserve for development costs	-537.339	128.819
Remaining retained earnings	-6.768.933	-7.104.944
	-7.306.272	-6.976.125

NOTES TO THE ANNUAL REPORT

6 Intangible assets	Develop- ment projects completed	Goodwill	Total
	DKK	DKK	DKK
Cost at 1 January 2019	3.286.179	4.220.072	7.506.251
Additions for the year	93.516	0	93.516
Cost at 31 December 2019	3.379.695	4.220.072	7.599.767
Impairment losses and depreciation at 1 January 2019	2.345.386	3.976.397	6.321.783
Impairment losses for the year	451.051	0	451.051
Depreciation for the year	583.258	218.675	801.933
Impairment losses and depreciation at 31 December 2019	3.379.695	4.195.072	7.574.767
Carrying amount at 31 December 2019	0	25.000	25.000
Depreciated over	3-5 years	10 years	

7 Property, plant and equipment	Other fixtures and fittings, tools and equipment	Leasehold improve- ments	Total
	DKK	DKK	DKK
Cost at 1 January 2019	11.460.797	4.188.372	15.649.169
Additions for the year	227.260	0	227.260
Disposals for the year	-466.818	0	-466.818
Cost at 31 December 2019	11.221.239	4.188.372	15.409.611
Impairment losses and depreciation at 1 January 2019	8.140.617	3.931.694	12.072.311
Depreciation for the year	892.432	109.756	1.002.188
Reversal of depreciation of disposals for the year	-364.310	0	-364.310
Impairment losses and depreciation at 31 December 2019	8.668.739	4.041.450	12.710.189
Carrying amount at 31 December 2019	2.552.500	146.922	2.699.422
Hereoff assets held under finance leases	1.631.180	0	
Depreciated over	3-6 years	5-10 years	

NOTES TO THE ANNUAL REPORT

	2019	2018
	DKK	DKK
8 Inventories		
Raw materials and consumables	30.155.536	24.165.450

9 Prepayments

Prepayments include accrual of expenses relating to subsequent financial years, including rent DKK 501k, insurance DKK 853k and other costs DKK 260k.

10 Share capital

The share capital consists of 2.000.000 shares of DKK 1. No shares carry specific rights.

There has been no changes in the share capital during the last 5 years.

11 Provision for deferred tax

Intangible assets	5.500	260.510
Property, plant and equipment	-115.356	37.357
Trade receivables	0	0
Tax loss carry-forward	-3.933.804	-2.610.570
	-4.043.660	-2.312.703
Transferred to deferred tax asset	4.043.660	2.312.703
Provision	0	0
Calculated tax asset	4.043.660	2.312.703
Impairment to fair value	0	0
Deferred tax asset	4.043.660	2.312.703

Deferred tax has been provided at 22% corresponding to the current tax rate.

NOTES TO THE ANNUAL REPORT

	2019 DKK	2018 DKK
12 Long-term debt		
Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.		
The debt falls due for payment as specified below:		
Lease obligations		
After 5 years	0	0
Between 1 and 5 years	0	1.612.996
Long-term debt	0	1.612.996
Within 1 year	1.608.404	337.000
	1.608.404	1.949.996

13 Contingent assets, liabilities and other financial obligations

Lease commitments

Total future commitment from rental contracts and operational lease contracts:

Within 1 year	4.463.502	4.719.732
Between 1 and 5 years	3.818.598	7.257.774
After 5 years	0	0
	8.282.100	11.977.506

Hereoff commitment regarding lease of buildings with non-cancellable periods up to 3 years

8.244.440	11.773.616
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Security

As security for the debt to Danske Andelskassers Bank A/S at 31. december 2019, the Company has provided security of 20 mill. DKK floating charge ("virksomhedspant") in current assets.

Contingent liabilities

The Danish enterprises of the Group are jointly and severally liable for the tax on the Group's jointly taxed income etc. Handicare Auto A/S is the management company in the joint taxation.

NOTES TO THE ANNUAL REPORT

14 Related parties and ownership

Controlling interest

Before 16 December 2019

Handicare AS, Moss, Norge (parent company)

Handicare Group AB, Stockholm, Sweden (ultimate owner)

After 16 December 2019

Autosolutions ApS, Denmark (parent company)

2GEAR Holding ApS, Denmark (ultimate owner)

Autoa A/S, Denmark (related in other way)

	<u>2019</u>	<u>2018</u>
	DKK	DKK
Transactions		
Handicare Auto A/S was engaged in the below related party transactions:		
Intra-group, sales	5.844.000	7.358.000
Intra-group, purchases	240.000	1.049.000
Group contributions	4.198.000	6.112.000
Receivables from group entities	156.250	667.740
Payables to group entities	0	2.453.296

Ownership

The following shareholder is recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

Autosolutions ApS, Denmark

15 Cash flow statement - adjustments

Financial income	-7.975	-28.191
Financial expenses	596.463	95.944
Depreciation, amortisation and impairment losses	2.302.680	2.106.552
Losses and gains on sales	0	-115.108
	<u>2.891.168</u>	<u>2.319.765</u>

16 Cash flow statement - change in working capital

Change in inventories	-5.990.086	768.730
Change in receivables	4.354.176	4.391.605
Change in trade payables, etc	-1.491.066	2.022.792
	<u>-3.126.976</u>	<u>7.183.127</u>

ACCOUNTING POLICIES

BASIS OF PREPARATION

The Financial Statements of Handicare Auto A/S for 2019 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

Except for the description below, the accounting policies applied remain unchanged from previous years.

The Annual Report for 2019 is presented in DKK.

Change in accounting principles regarding contract work in progress

To be aligned with the new Groups' accounting principles, contract work in progress is no longer measured at the selling price of the work performed but instead at the cost price incurred. The effect for 2019 and 2018 is as follows:

	2019	2018
	DKK	DKK
Gross profit	-893.783	-484.497
Tax on profit/loss for the year	196.632	106.589
Net result	-697.151	-377.908
Contract work in progress	-1.735.594	-841.811
Deferred tax asset (provision)	381.831	185.198
Equity	-1.353.763	-656.613

Comparison figures and the figures in the financial headlights have been changed in according with the new accounting policy.

Recognition and measurement

The Financial Statements have been prepared under the historical cost method.

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised.

Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognized in the income statement.

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

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

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

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

ACCOUNTING POLICIES

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

Danish kroner (DKK) is used as the measurement currency. All other currencies are regarded as foreign currencies.

Translation policies

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

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

INCOME STATEMENT

Gross profit

In pursuance of section 32 of the Danish Financial Statements Act, the company does not disclose its revenue.

Gross profit reflects an aggregation of revenue, changes in inventories of finished goods and work in progress and other operating income less raw materials and consumables and other external expenses.

Revenue

Revenue from the sale of goods for resale and finished goods is recognised in the income statement, provided that the transfer of risk, usually on delivery to the buyer, has taken place before year end and that income can be measured reliably and is expected to be received. The date of transfer of the most significant rewards and risks is based on standardized terms of delivery based on Incoterms 2010.

Revenue is recognised exclusive of VAT and net of discounts relating to sales.

Expenses for raw materials and consumables

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

Other external expenses

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

Staff expenses

Staff expenses include wages and salaries, including compensated absence and pensions, as well as other social security contributions etc. made to the entity's employees. The item is net of refunds made by public authorities.

ACCOUNTING POLICIES

In pursuance of section 98b(3), (ii), of the Danish Financial Statements Act, remuneration to Management is not disclosed.

Amortisation, depreciation and impairment losses

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

Other operating income and expenses

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

Financial income and expenses

Financial income and expenses comprise interest, realised and unrealised exchange adjustments, financial expenses relating to finance leases as well as extra payments and repayment under the on-account taxation scheme.

Tax on profit/loss for the year

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognized in the income statement, whereas the portion that related to transactions taken to equity is recognized in equity.

The entity is jointly taxed with other Danish group related entities. The total Danish income tax charge is allocated between profit/loss making Danish entities in proportion to their taxable income (full absorption).

The jointly taxed enterprises have adopted the on-account taxation scheme.

BALANCE SHEET

Intangible assets

Goodwill

Goodwill is amortised over the expected economic life of the asset, measured by reference to Management's experience in the individual business segments. The amortization period for intangible assets exceeds 5 years due to the long term nature of the investments made

Goodwill depreciates over 10 years.

Development projects, patents and licenses

Development costs comprise costs directly and indirectly attributable to the company's development activities.

Development projects that are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or development opportunities are identifiable and where the Company intends to produce, market or use the project, are recognized as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings can cover production costs, selling costs and administrative expenses and development costs. Other development costs are recognized in the income statement as incurred.

ACCOUNTING POLICIES

Development projects recognized in the balance sheet are measured at cost less accumulated amortization and impairment losses.

Development projects are depreciated over 3-5 years.

Property, plant and equipment

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

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

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

Other fixtures and fittings, tools and equipment	3-6 years
Leasehold improvements	5-10 years

Leases

Leases for items of property, plant and equipment that transfer substantially all the risks and rewards incident to ownership to the company (finance leases) are recognized in the balance sheet as assets. On initial recognition, assets are measured at estimated cost, corresponding to the lower of fair value of the leased asset and the present value of the future lease payments. In calculating the net present value of the future lease payments, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor. Assets held under finance leases are subsequently depreciated as the company's other non-current assets.

The capitalized residual lease commitment is recognized in the balance sheet as a liability, and the interest element of the lease payment is recognized in the income statement over the term of the lease.

All other leases are operating leases. Payments relating to operating leases and any other leases are recognized in the income statement over the term of the lease. The company's total liabilities relating to operating leases and other rent agreements are disclosed under 'Contingencies, etc.'

Impairment of fixed assets

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

If so, an impairment test is carried out to determine whether the recoverable amount is lower than the carrying amount, and the asset is written down to its lower recoverable amount.

The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

Inventories

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

ACCOUNTING POLICIES

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

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

The cost for finished goods and work in progress includes the cost of raw materials, consumables, direct cost of labour and production.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realizable value, which corresponds to nominal value less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of each receivable, and in respect of trade receivables, a general provision is also made based on the Company's experience from previous years.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Cash and cash equivalents

Cash comprise cash and short term securities which are readily convertible into cash and subject only to minor risks of changes in value

Given the nature of the Group's cash pool arrangement, cash pool balances are not considered cash, but are recognized under 'Receivables from group entities'.

Equity

Reserve for development costs

The reserve for development costs comprises recognized development costs. The reserve cannot be used to distribute dividends or cover losses. The reserve will be reduced or dissolved if the recognized development costs are no longer part of the company's operations by a transfer directly to the distributable reserves under equity.

Dividend

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

Deferred tax assets and liabilities

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

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by setoff against deferred tax liabilities within the same legal tax entity.

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

ACCOUNTING POLICIES

Current tax receivables and liabilities

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

Financial debts

Fixed-interest loans, such as mortgage loans and loans from credit institutions, are recognized initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period. Mortgage loans are measured at amortised cost, which for cash loans corresponds to the remaining loan.

Amortised cost of debenture loans corresponds to the remaining loan calculated as the underlying cash value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the loan made over the term of the loan at the date of raising the loan.

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

CASH FLOW STATEMENT

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

Cash flows from operating activities

Cash flows from operating activities are calculated as the profit/loss for the year adjusted for non-cash operating items, changes in working capital and corporation tax paid.

Cash flows from investing activities

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of entities, activities and intangible assets, property, plant and equipment and investments.

Cash flows from financing activities

Cash flows from financing activities comprise changes in the size or composition of the Company's share capital and related costs as well as the raising of loans, repayment of interest-bearing debt and payment of dividends to shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term marketable securities with a term of three months or less that are subject to only minor risks of changes in value.

ACCOUNTING POLICIES

FINANCIAL HIGHLIGHTS

Explanation of financial ratios

Profit margin	$\frac{\text{Profit before financials} \times 100}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$