BUUS JENSEN
Statsautoriserede
Revisorer

NGI A/S

Virkelyst 5, 9400 Nørresundby

Company reg. no. 20 86 17 70

Annual report

1 January - 31 December 2021

The annual report was submitted and approved by the general meeting on the 5 May 2022.

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Andrea Volpi
Chairman of the meeting

Contents

Notes:
- To ensure the greatest possible applicability of this document, IAS/IFRS English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance DKK 146.940 means the amount of DKK 146,940, and that 23,5 % means 23.5 %.

Management's statement

Today, the board of directors and the managing director have presented the annual report of NGI A/S for the financial year 1 January - 31 December 2021.

The annual report has been presented in accordance with the Danish Financial Statements Act.

We consider the accounting policies appropriate and, in our opinion, the financial statements provide a fair presentation of the company's assets, equity and liabilities, and financial position at 31 December 2021 and of the company's results of activities in the financial year 1 January – 31 December 2021.

We are of the opinion that the management commentary presents a fair account of the issues dealt with.

We recommend that the annual report be approved at the Annual General Meeting.

Nørresundby, 5 May 2022

Managing Director

Jan Nygaard

Board of directors

Andrea Volpi Chairman	Jan Nygaard	Richard Neil Smith

Independent auditor's report

To the shareholder of NGI A/S

Opinion

We have audited the financial statements of NGI A/S for the financial year 1 January - 31 December 2021, which comprise income statement, statement of financial position, statement of changes in equity, notes and a summary of significant accounting policies,. The financial statements have been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements present a fair view of the company's assets, equity and liabilities, and financial position at 31 December 2021 and of the results of the company's activities for the financial year 1 January - 31 December 2021 in accordance with the Danish Financial Statements Act.

Basis for Opinion

We conducted our audit in accordance with international standards on auditing and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the section “Auditor’s responsibilities for the audit of the financial statements”. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our Opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of financial statements that provide a fair view in accordance with the Danish Financial Statements Act. Management is also responsible for such internal control as the 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 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 about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report including an opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with international standards on auditing, and the additional requirements applicable in Denmark, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with international standards on auditing, and the additional requirements applicable in Denmark, we exercise professional judgment 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 the 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 preparation of the financial statements using the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists arising from 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 disclosures in notes, and whether the financial statements reflect the underlying transactions and events in a manner that presents a 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 the internal control that we identify during our audit.

Statement on the Management’s Review

Management is responsible for the Management’s Review.

Our opinion on the financial statements does not cover the management commentary, and we express no assurance opinion thereon.

Independent auditor's report

In connection with our audit of the financial statements, it is our responsibility to read the management commentary and to consider whether the management commentary is materially inconsistent with the financial statements or the evidence obtained during the audit, or whether it otherwise appears to contain material misstatement.

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

Based on the work we have performed, we believe that Management's Review is consistent with the financial statements and that it has been prepared in accordance with the provisions of the Danish Financial Statement Act. We did not discover any material misstatement in the Management's Review.

Copenhagen, 5 May 2022

BUUS JENSEN
State Authorised Public Accountants
Company reg. no. 16 11 90 40

Ulrik Nørskov
State Authorised Public Accountant
mne29456

Benjamin Møller Obel
State Authorised Public Accountant
mne44149

Company information

The company	NGI A/S Virkelyst 5 9400 Nørresundby	
	Company reg. no.	20 86 17 70
	Established:	14 May 1998
	Domicile:	Aalborg
	Financial year:	1 January - 31 December 24th financial year
Board of directors	Andrea Volpi, Chairman Jan Nygaard Richard Neil Smith	
Managing Director	Jan Nygaard	
Auditors	BUUS JENSEN, Statsautoriserede revisorer	
Parent company	NGI Holding ApS 35 63 98 53	

Financial highlights

DKK in thousands.	2021	2020	2019	2018	2017
Income statement:					
Gross profit	173.955	132.102	125.558	117.706	107.032
Profit from operating activities	70.863	46.126	47.535	37.083	33.746
Net financials	-296	-2.525	-866	-2.922	-7.577
Net profit or loss for the year	52.992	32.017	33.655	22.295	18.451
Statement of financial position:					
Balance sheet total	474.699	405.706	365.345	338.401	314.383
Investments in property, plant and equipment	22.621	18.320	8.527	5.503	1.739
Equity	404.585	351.593	319.576	285.921	64.035
Employees:					
Average number of full-time employees	143	126	113	102	93
Key figures in %:					
Acid test ratio	417,9	458,9	434,2	286,3	87,7
Solvency ratio	85,2	86,7	87,5	84,5	20,4
Return on equity	14,0	9,5	11,1	12,7	16,8

Calculations of key figures and ratios follow the recommendations of the Danish Association of Finance Analysts.

The principal activities of the company

The company's purpose is developing, producing and selling steel and rubber components as semifinished products to the machine industry.

Development in activities and financial matters

The gross profit for the year totals DKK 173.955.000 against DKK 132.102.000 last year. Income or loss from ordinary activities after tax totals DKK 52.992.000 against DKK 32.017.000 last year.

The development in profit and cash flows are better then the management’s expectations from last year. The management consider the result satisfactory.

Special risks

Operating risks

The company's purchase price on raw material is largely dependent on developments in the steel price. The company has covered this risk, as the company's sales prices also vary with development.

Exchange rate risks

Exports are mainly in EUR and USD. No exchange rate risk hedging agreements will be made.

Research and development activities

Continuous adaptation and improvement of the company's products are being made. Costs associated in the development of products are recognised under development projects in the balance sheet.

Expected developments

The company's management's expectation for 2022 are that the company will continue its positive development and improve its gross profit and cash flow.

Environmental issues

The company regularly evaluate and actively take actions to reduce its environmental footprint according to UN’s 17 sustainable development goals. All the company’s products are designed to reduce energy, water and detergent consumption in use.

Income statement 1 January - 31 December

All amounts in DKK.

Note		2021	2020
	Gross profit	**173.954.940**	**132.101.726**
1	Staff costs	-80.030.293	-67.148.785
	Depreciation, amortisation, and impairment	-23.062.065	-18.826.557
	Operating profit	**70.862.582**	**46.126.384**
	Income from equity investments in subsidiaries	361.216	271.684
	Other financial income from group enterprises	9.144	11.998
	Other financial income	1.582.661	334.481
2	Other financial costs	-2.248.625	-3.143.143
	Pre-tax net profit or loss	**70.566.978**	**43.601.404**
3	Tax on net profit or loss for the year	-17.575.210	-11.584.413
4	**Net profit or loss for the year**	**52.991.768**	**32.016.991**

Balance sheet at 31 December

All amounts in DKK.

Note	Assets	2021	2020
	Non-current assets		
5	Completed development projects, including patents and similar rights arising from development projects	10.294.375	8.385.218
6	Concessions, patents, licenses, trademarks, and similar rights acquired	1.317.332	1.619.300
7	Goodwill	150.246.044	162.680.204
8	Development projects in progress and prepayments for intangible assets	18.762.651	16.495.302
	Total intangible assets	180.620.402	189.180.024
9	Plant and machinery	34.008.189	20.641.834
10	Other fixtures and fittings, tools and equipment	6.580.334	4.661.291
	Total property, plant, and equipment	40.588.523	25.303.125
11	Equity investments in group enterprises	42.438.444	737.182
	Total investments	42.438.444	737.182
	Total non-current assets	**263.647.369**	**215.220.331**

Balance sheet at 31 December

All amounts in DKK.

Note	Assets	2021	2020
	Current assets		
	Raw materials and consumables	17.031.014	11.875.600
	Work in progress	36.153.774	31.105.181
	Manufactured goods and goods for resale	4.244.851	3.264.985
	Total inventories	57.429.639	46.245.766
	Trade receivables	51.186.508	33.023.639
12	Contract work in progress	2.082.509	507.568
	Receivables from group enterprises	18.761.740	409.323
	Tax receivables from group enterprises	857.881	3.207.665
	Other receivables	3.561.592	7.586.354
13	Prepayments and accrued income	1.537.165	941.111
	Total receivables	77.987.395	45.675.660
	Cash on hand and demand deposits	75.634.884	98.564.703
	Total current assets	**211.051.918**	**190.486.129**
	Total assets	**474.699.287**	**405.706.460**

Balance sheet at 31 December

All amounts in DKK.

Note	Equity and liabilities	2021	2020
	Equity		
	Contributed capital	1.010.000	1.010.000
	Reserve for net revaluation according to the equity method	486.258	125.042
	Reserve for development costs	22.664.480	19.406.609
	Retained earnings	380.423.773	331.051.092
	Total equity	**404.584.511**	**351.592.743**
	Provisions		
14	Provisions for deferred tax	8.560.406	6.716.187
	Total provisions	**8.560.406**	**6.716.187**
	Liabilities other than provisions		
	Lease liabilities	2.163.545	3.231.539
	Other payables	8.887.801	2.660.198
15	Total long term liabilities other than provisions	11.051.346	5.891.737
15	Current portion of long term payables	1.067.723	612.943
	Bank loans	81.175	124.830
	Trade payables	39.124.319	29.370.661
	Payables to group enterprises	2.291.355	1.016.952
	Other payables	7.938.452	10.380.407
	Total short term liabilities other than provisions	50.503.024	41.505.793
	Total liabilities other than provisions	**61.554.370**	**47.397.530**
	Total equity and liabilities	**474.699.287**	**405.706.460**

16 Contingencies

17 Related parties

Statement of changes in equity

All amounts in DKK.

	Contributed capital	Reserve for net revaluation according to the equity method	Reserve for development costs	Retained earnings	Total
Equity 1 January 2020	1.010.000	0	12.210.083	306.355.669	319.575.752
Share of profit or loss	0	125.042	0	31.891.949	32.016.991
Transferred from retained earnings	0	0	7.196.526	-7.196.526	0
Equity 1 January 2021	1.010.000	125.042	19.406.609	331.051.092	351.592.743
Share of profit or loss	0	361.216	0	52.630.552	52.991.768
Transferred from retained earnings	0	0	3.257.871	-3.257.871	0
	1.010.000	**486.258**	**22.664.480**	**380.423.773**	**404.584.511**

Notes

All amounts in DKK.

		2021	2020
1.	**Staff costs**		
	Salaries and wages	72.118.854	60.651.116
	Pension costs	6.743.787	5.595.688
	Other costs for social security	1.167.652	901.981
		80.030.293	**67.148.785**
	Average number of employees	143	126

Pursuant to section 98b of the Danish Financial Statements Act. 3, second paragraph, information on management's remuneration is omitted.

		2021	2020
2.	**Other financial costs**		
	Financial costs, group enterprises	14.286	1.887
	Other financial costs	2.234.339	3.141.256
		2.248.625	**3.143.143**
3.	**Tax on net profit or loss for the year**		
	Tax on net profit or loss for the year	15.689.322	8.720.335
	Adjustment of deferred tax for the year	1.844.219	2.864.078
	Other taxes	41.669	0
		17.575.210	**11.584.413**
4.	**Proposed appropriation of net profit**		
	Reserves for net revaluation according to the equity method	361.216	125.042
	Transferred to retained earnings	52.630.552	31.891.949
	Total allocations and transfers	**52.991.768**	**32.016.991**

All amounts in DKK.

		31/12 2021	31/12 2020
5.	**Completed development projects, including patents and similar rights arising from development projects**		
	Cost 1 January 2021	16.682.282	8.641.289
	Additions during the year	2.411.524	4.833.881
	Transfers	1.915.268	3.207.112
	Cost 31 December 2021	**21.009.074**	**16.682.282**
	Amortisation and writedown 1 January 2021	-8.297.064	-7.021.854
	Amortisation and depreciation for the year	-2.417.635	-1.275.210
	Amortisation and writedown 31 December 2021	**-10.714.699**	**-8.297.064**
	Carrying amount, 31 December 2021	**10.294.375**	**8.385.218**

6.	**Concessions, patents, licenses, trademarks, and similar rights acquired**		
	Cost 1 January 2021	12.083.574	11.097.131
	Additions during the year	572.835	986.443
	Cost 31 December 2021	**12.656.409**	**12.083.574**
	Amortisation and writedown 1 January 2021	-10.464.274	-9.302.435
	Amortisation and depreciation for the year	-874.803	-1.161.839
	Amortisation and writedown 31 December 2021	**-11.339.077**	**-10.464.274**
	Carrying amount, 31 December 2021	**1.317.332**	**1.619.300**

7.	**Goodwill**		
	Cost 1 January 2021	248.683.141	248.683.141
	Cost 31 December 2021	**248.683.141**	**248.683.141**
	Amortisation and writedown 1 January 2021	-86.002.937	-73.568.777
	Amortisation and depreciation for the year	-12.434.160	-12.434.160
	Amortisation and writedown 31 December 2021	**-98.437.097**	**-86.002.937**
	Carrying amount, 31 December 2021	**150.246.044**	**162.680.204**

All amounts in DKK.

		31/12 2021	31/12 2020
8.	**Development projects in progress and prepayments for intangible assets**		
	Cost 1 January 2021	16.495.302	14.037.516
	Additions during the year	4.182.617	5.664.898
	Transfers	-1.915.268	-3.207.112
	Cost 31 December 2021	**18.762.651**	**16.495.302**
	Carrying amount, 31 December 2021	**18.762.651**	**16.495.302**
9.	**Plant and machinery**		
	Cost 1 January 2021	45.559.036	31.689.178
	Additions during the year	19.115.294	15.285.729
	Transfers	0	-1.415.871
	Cost 31 December 2021	**64.674.330**	**45.559.036**
	Depreciation and writedown 1 January 2021	-24.917.202	-23.539.341
	Amortisation and depreciation for the year	-5.748.939	-2.879.885
	Depreciation, amortisation and impairment loss for the year, assets disposed of	0	139.972
	Transfers	0	1.362.052
	Depreciation and writedown 31 December 2021	**-30.666.141**	**-24.917.202**
	Carrying amount, 31 December 2021	**34.008.189**	**20.641.834**
	Lease assets are recognised at a carrying amount of	2.071.445	2.871.291

All amounts in DKK.

		31/12 2021	31/12 2020
10.	**Other fixtures and fittings, tools and equipment**		
	Cost 1 January 2021	14.054.533	9.604.270
	Additions during the year	3.505.571	3.034.392
	Transfers	0	1.415.871
	Cost 31 December 2021	**17.560.104**	**14.054.533**
	Depreciation and writedown 1 January 2021	-9.393.242	-6.815.755
	Amortisation and depreciation for the year	-1.586.528	-1.075.470
	Depreciation, amortisation and impairment loss for the year, assets disposed of	0	773.554
	Transfers	0	-2.275.571
	Depreciation and writedown 31 December 2021	**-10.979.770**	**-9.393.242**
	Carrying amount, 31 December 2021	**6.580.334**	**4.661.291**

11.	**Equity investments in group enterprises**		
	Cost 1 January 2021	612.140	612.140
	Additions during the year	41.340.046	0
	Cost 31 December 2021	**41.952.186**	**612.140**
	Revaluations, opening balance 1 January 2021	125.042	-146.642
	Net profit or loss for the year before amortisation of goodwill	361.216	271.684
	Revaluation 31 December 2021	**486.258**	**125.042**
	Carrying amount, 31 December 2021	**42.438.444**	**737.182**
	The item includes goodwill with an amount of	26.054.552	0
	Goodwill is recognised under the item "Additions during the year" with an amount of	26.054.552	0

Group enterprises:

	Domicile	Equity interest
NGI Leveling System Inc.	USA	100 %
NGI Ejendomme ApS	Aalborg	100 %
Momentum Technologies GmbH	Germany	100 %

All amounts in DKK.

	31/12 2021	31/12 2020

12. Contract work in progress

	31/12 2021	31/12 2020
Selling price of the production for the period	2.082.509	507.568
Contract work in progress, net	**2.082.509**	**507.568**

13. Prepayments and accrued income

	31/12 2021	31/12 2020
Prepaid expenses	1.537.165	941.111
	1.537.165	**941.111**

14. Provisions for deferred tax

	31/12 2021	31/12 2020
Provisions for deferred tax 1 January 2021	6.716.187	3.852.109
Deferred tax relating to the net profit or loss for the year	1.844.219	2.864.078
	8.560.406	**6.716.187**

15. Liabilities other than provision

	Total payables 31 Dec 2021	**Current portion of long term payables**	**Long term payables 31 Dec 2021**	**Outstanding payables after 5 years**
Lease liabilities	3.231.268	1.067.723	2.163.545	0
Other payables	8.887.801	0	8.887.801	2.713.664
	12.119.069	**1.067.723**	**11.051.346**	**2.713.664**

16. Contingencies

Contingent liabilities

Lease liabilities

The company has entered into lease contracts with rent commitment of DKK 6.715 thousand

Joint taxation

With NGI Holding ApS, company reg. no 35639853 as administration company, the company is subject to the Danish scheme of joint taxation and unlimitedly, jointly, and severally liable, along with the other jointly taxed companies, for the total corporation tax.

All amounts in DKK.

16. Contingencies (continued)

Joint taxation (continued)

The company is unlimitedly, jointly, and severally liable, along with the other jointly taxed companies, for any obligations to withhold tax on interest, royalties, and dividends.

The total tax payable under the joint taxation scheme totals DKK 0 thousand

The liability relating to obligations in connection with withholding tax on dividends, interest, and royalties represents an estimated maximum of DKK 0 thousand

Any subsequent adjustments of corporate taxes or withholding tax, etc., may result in changes in the company's liabilities.

17. Related parties

Controlling interest

NGI Holding ApS, Virkelyst 5, 9400 Nørresundby	Majority shareholder

Transactions

All transactions with related parties have been carried out on market terms.

Accounting policies

The annual report for NGI A/S has been presented in accordance with the Danish Financial Statements Act regulations concerning reporting class C enterprises (medium sized enterprises).

The accounting policies are unchanged from last year, and the annual report is presented in DKK.

No consolidated financial statements have been prepared pursuant to section 112 (1) of the Danish Financial Statements Act. The financial statements of NGI A/S and its group enterprises are included in the consolidated financial statements for NGI Holding ApS, Aalborg, CVR nr. 35 63 98 53.

Pursuant to section 86 (4) of the Danish Financial Statements Act, no statement of cash flows for the enterprise has been prepared, as the relevant information is included in the consolidated financial statements of NGI Holding ApS.

Recognition and measurement in general

Income is recognised in the income statement concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs are recognised in the income statement, including depreciations, amortisations, writedowns for impairment, provisions, and reversals due to changes in estimated amounts previously recognised in the income statement.

Assets are recognised in the statement of financial position when it seems probable that future economic benefits will flow to the company and the value of the asset can be reliably measured.

Liabilities are recognised in the statement of financial position when it is seems probable that future economic benefits will flow out of the company and the value of the liability can be reliably measured.

Assets and liabilities are measured at cost at the initial recognition. Hereafter, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost, allowing a constant effective interest rate to be recognised during the useful life of the asset or liability. Amortised cost is recognised as the original cost less any payments, plus/less accrued amortisations of the difference between cost and nominal amount. In this way, capital losses and gains are allocated over the useful life of the liability.

Upon recognition and measurement, allowances are made for such predictable losses and risks which may arise prior to the presentation of the annual report and concern matters that exist on the reporting date.

Foreign currency translation

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials. If currency positions are considered to hedge future cash flows, the value adjustments are recognised directly in equity in a fair value reserve.

Receivables, payables, and other foreign currency monetary items are translated using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or initial recognition in the latest financial statements of the receivable or payable is recognised in the income statement under financial income and expenses.

Fixed assets acquired and paid for in foreign currency are measured at the exchange rate prevailing at the date of the transaction.

Group enterprises abroad, associates, and equity investments are considered to be independent entities. The income statements are translated by using the exchange rate prevailing at the date of the transaction, and the balance sheet items are translated at the closing rates. Currency translation differences, arising from the translation of the equity of group enterprises abroad at the beginning of the year to the closing rate and from the translation of income statements from average prices to the closing rate, are recognised directly in equity in the fair value reserve. This also applies to differences arising from translation of income statements from average exchange rate to closing rate.

Business combinations

Acquisitions completed by the 1 July 2018 or later (method of consolidation)
Acquisition of group enterprises are dealt with in accordance with the acquisition method, and afterwards the assets and liabilities of the acquired entity are measured at fair value at the date of acquisition. If it is possible to measure the value reliably, acquired contingent liabilities are measured at fair value under the item Equity investments in group enterprises.

The date of acquisition is the date when control of the acquired entity is obtained.

The cost of the acquired entity represents the fair value of the consideration agreed upon, including the considerations that are conditional on future events. Transaction costs directly attributable to the acquisition of group enterprises are added to the equity investment.

Positive differences between the cost of the acquired entity and the identified assets and liabilities are recognised in the equity investment as goodwill, which is amortised on a straight-line basis in the income statement over the expected useful life. Amortisation of goodwill is allocated to the functions to which the goodwill relates. If the difference is negative, this is recognised immediately in the income statement.

If the allocation of the purchase price is not final, positive and negative differences from acquired group enterprises may, as a result of changes in recognition and measurement of the identified net assets, be adjusted up to 12 months from the date of acquisition. These adjustments are also reflected in the value of goodwill or negative goodwill, including depreciation already made.

If the cost includes contingent considerations, these are measured at fair value at the date of acquisition. Subsequently, contingent considerations at fair value are measured again. Value adjustments are recognised in the income statement.

In case of step-by-step acquisitions, the value of the hitherto equity holding in the acquired entity is measured again at the fair value at the date of acquisition. The difference between the carrying amount of the hitherto equity investment and the fair value is recognised in the income statement.

Income statement

Gross profit

Gross profit comprises the revenue, changes in inventories of finished goods, and work in progress, work performed for own account and capitalised, other operating income, and external costs.

The enterprise will be applying IAS 11 and IAS 18 as its basis of interpretation for the recognition of revenue.

Revenue is recognised in the income statement if delivery and passing of risk to the buyer have taken place before the end of the year and if the income can be determined reliably and inflow is anticipated. Recognition of revenue is exclusive of VAT and taxes and less any discounts relating directly to sales.

Contract work in progress concerning construction contracts is recognised in the revenue concurrently with the production process. Thus, the revenue corresponds to the selling price of the total yearly production (the production method). The revenue is recognised when the total income and costs of the contract and the stage of completion on the reporting date can be reliably validated and it is deemed probable that the financial benefits will flow to the company.

Cost of sales comprises costs concerning purchase of raw materials and consumables less discounts and changes in inventories.

Other operating income comprises items of a secondary nature as regards the principal activities of the enterprise, including profit from the disposal of intangible and tangible assets.

Other external costs comprise costs incurred for distribution, sales, advertising, administration, premises, loss on receivables, and operational leasing costs.

Staff costs

Staff costs include salaries and wages, including holiday allowances, pensions, and other social security costs, etc., for staff members. Staff costs are less government reimbursements.

Depreciation, amortisation, and writedown for impairment

Depreciation, amortisation, and writedown for impairment comprise depreciation on, amortisation of, and writedown for impairment of intangible and tangible assets, respectively.

Financial income and expenses

Financial income and expenses are recognised in the income statement with the amounts concerning the financial year. Financial income and expenses comprise interest income and expenses, financial expenses from financial leasing, realised and unrealised capital gains and losses relating to securities, debt and transactions in foreign currency, amortisation of financial assets and liabilities as well as surcharges and reimbursements under the advance tax scheme, etc.

Results from equity investments in subsidiaries

After full elimination of intercompany profit or loss less amortised consolidated goodwill, the equity investment in the individual group enterprises are recognised in the income statement as a proportional share of the group enterprises' post-tax profit or loss.

Tax on net profit or loss for the year

Tax for the year comprises the current income tax for the year and changes in deferred tax and is recognised in the income statement with the share attributable to the net profit or loss for the year and directly in equity with the share attributable to entries directly in equity.

The company is subject to Danish rules on compulsory joint taxation of Danish group enterprises.

The current Danish income tax is allocated among the jointly taxed companies proportional to their respective taxable income (full allocation with reimbursement of tax losses).

Statement of financial position

Intangible assets

Development projects, patents, and licences

Development costs comprise salaries, wages, and amortisation directly attributable to development activities.

Clearly defined and identifiable development projects are recognised as intangible assets provided that they are proven to be technically practicable, that sufficient resources and a potential market or development opportunity exist, and insofar as the intention is to produce, market or utilise the project. It is, however, a condition that the cost can be reliably calculated and that a sufficiently high degree of certainty indicates that future earnings will cover the costs of production, sales, and administration. Other development costs are recognised in the income statement concurrently with their realisation.

Development costs recognised in the statement of financial position are measured at cost less accrued amortisations and writedowns for impairment.

After completion of the development work, capitalised development costs are amortised on a straight-line basis over the estimated useful economic life. The amortisation period is 5 years.

Patents and licenses are measured at cost less accrued amortisation. Patents are amortised on a straightline basis over the remaining patent period and licenses are amortised over the contract period, however, for a maximum of 5 years.

Profit and loss from the sale of development projects, patents, and licenses are measured as the difference between the sales price less sales costs and the carrying amount at the time of sale. Profit or loss are recognised in the income statement as other operating income or other operating expenses, respectively.

Goodwill

Acquired goodwill is measured at cost with deduction of accumulated amortisation. Goodwill is amortised over the estimated useful life, which is determined on the basis of management's experience in the individual business areas. Goodwill is amortised on a straightline basis over the amortisation period, which is set at 20 years. The amortisation period is determined on the basis of an expected pay-back period, being the longer for strategical acquirees with a strong market position and an expected longterm earnings profile.

Tangible assets

Tangible assets are measured at cost less accrued depreciation and writedown for impairment.

The depreciable amount is cost less any expected residual value after the end of the useful life of the asset. The amortisation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the carrying amount, the depreciation is discontinued.

If the amortisation period or the residual value is changed, the effect on amortisation will, in future, be recognised as a change in the accounting estimates.

The cost comprises acquisition cost and costs directly associated with the acquisition until the time when the asset is ready for use.

The cost of a total asset is divided into separate components. These components are depreciated separately, the useful lives of each individual components differing, and the individual component representing a material part of the total cost.

Depreciation is done on a straight-line basis according to an assessment of the expected useful life:

	Useful life
Plant and machinery	5-8 years
Other fixtures and fittings, tools and equipment	3-5 years

Minor assets with an expected useful life of less than 1 year are recognised as costs in the income statement in the year of acquisition.

Profit or loss derived from the disposal of property, land, and equipment is measured as the difference between the sales price less selling costs and the carrying amount at the date of disposal. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

Leases

The enterprise will be applying IAS 17 as its base of interpretation for recognition of classification and recognition of leases.

At their initial recognition in the statement of financial position, leases concerning property, plant, and equipment where the company holds all essential risks and advantages associated with the proprietary right (finance lease) are measured either at fair value or at the present value of the future lease payments, whichever value is lower. When calculating the present value, the discount rate used is the internal rate of return of the lease or, alternatively, the borrowing rate of the enterprise. Hereafter, assets held under a finance lease are treated in the same way as other similar property, plant, and equipment.

The capitalised residual lease commitment is recognised in the statement of financial position as a liability other than provisions, and the interest part of the lease is recognised in the income statement for the term of the contract.

All other leases are regarded as operating leases. Payments in connection with operating leases and other lease agreements are recognised in the income statement for the term of the contract. The company's total liabilities concerning operating leases and lease agreements are recognised under contingencies, etc.

Impairment loss relating to non-current assets

The carrying amount of both intangible and tangible fixed assets as well as equity investments in subsidiaries are subject to annual impairment tests in order to disclose any indications of impairment beyond those expressed by amortisation and depreciation respectively.

If indications of impairment are disclosed, impairment tests are carried out for each individual asset or group of assets, respectively. Writedown for impairment is done to the recoverable amount if this value is lower than the carrying amount.

The recoverable amount is the higher value of value in use and selling price less expected selling cost. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the asset group and expected net cash flows from the sale of the asset or the asset group after the end of their useful life.

Previously recognised impairment losses are reversed when conditions for impairment no longer exist. Impairment relating to goodwill is not reversed.

Investments

Investments in subsidiaries

Investments in subsidiaries are recognised and measured by applying the equity method. The equity method is used as a measurement method.

Investments in subsidiaries are recognised in the statement of financial position at the proportionate share of the enterprise's equity value. This value is calculated in accordance with the parent's accounting policies with deductions or additions of unrealised intercompany gains and losses as well as with additions or deductions of the remaining value of positive or negative goodwill calculated in accordance with the acquisition method. Negative goodwill is recognised in the income statement at the time of acquisition of the equity investment. If the negative goodwill relates to contingent liabilities acquired, negative goodwill is not recognised until the contingent liabilities have been settled or lapsed.

Consolidated goodwill is amortised over its estimated useful life, which is determined on the basis of the management's experience with the individual business areas. Consolidated goodwill is amortised on a straight-line basis over the amortisation period, which represent 5-20 years. The depreciation period is determined on the basis of an assessment that these are strategically acquired enterprises with a strong market position and a long-term earnings profile.

Investments in subsidiaries with a negative equity value are measured at DKK 0, and any accounts receivable from these enterprises are written down to the extent that the account receivable is uncollectible. To the extent that the parent has a legal or constructive obligation to cover a negative balance that exceeds the account receivable, the remaining amount is recognised under provisions.

To the extent the equity exceeds the cost, the net revaluation of equity investments in subsidiaries transferred to the reserve under equity for net revaluation according to the equity method. Dividends from subsidiaries expected to be adopted before the approval of this annual report are not subject to a limitation of the revaluation reserve. The reserve is adjusted by other equity movements in subsidiaries.

Newly acquired or newly established companies are recognised in the financial statement as of the time of acquisition. Sold or liquidated companies are recognised until the date of disposal.

On the acquisition of enterprises, the acquisition method, the uniting-of-interests method or the book value method is applied, cf. the above description under Business combinations.

Inventories

Inventories are measured at cost according to the FIFO method. In cases when the net realisable value of the inventories is lower than the cost, the latter is written down for impairment to this lower value.

Costs of goods for resale, raw materials, and consumables comprise acquisition costs plus delivery costs.

Costs of manufactured goods and work in progress comprise the cost of raw materials, consumables, direct wages, and indirect production costs. Indirect production costs comprise indirect materials and wages, maintenance and depreciation of machinery, factory buildings, and equipment used in the production process, and costs for factory administration and factory management. Borrowing expenses are not recognised in cost.

The net realisable value for inventories is recognised as the market price less costs of completion and selling costs. The net realisable value is determined with due consideration of negotiability, obsolescence, and the development of expected market prices.

Receivables
Receivables are measured at amortised cost, which usually corresponds to nominal value.

In order to meet expected losses, impairment takes place at the net realisable value. The company has chosen to use IAS 39 as a basis for interpretation when recognising impairment of financial assets, which means that impairments must be made to offset losses where an objective indication is deemed to have occurred that an account receivable or a portfolio of accounts receivable is impaired. If an objective indication shows that an individual account receivable has been impaired, an impairment takes place at individual level.

Accounts receivable for which there is no objective indication of impairment at the individual level are evaluated at portfolio level for objective indication of impairment. The portfolios are primarily based on the debtors' domicile and credit rating in accordance with the company's and the group's credit risk management policy. Determination of the objective indicators applied for portfolios are based on experience with historical losses.

Impairment losses are calculated as the difference between the carrying amount of accounts receivable and the present value of the expected cash flows, including the realisable value of any securities received. The effective interest rate for the individual account receivable or portfolio is used as the discount rate.

Contract work in progress
Contract work in progress is measured at the selling price of the work performed. The selling price is measured on the basis of the stage of completion on the reporting date and the total expected income from the individual work in progress. The stage of completion is calculated as the share of costs incurred in proportion to the estimated total costs of the individual work in progress.

When the selling price of the individual work in progress can not be determined reliably, the selling price is measured at the costs incurred or at net realisable value, if this is lower.

The individual work in progress is recognised in the statement of financial position under accounts receivables or liabilities. Net assets consist of the sum of the work in progress, where the selling price of the work performed exceeds invoicing on account. Net liabilities consist of the sum of the work in progress, where invoicing on account exceeds the selling price.

Costs in connection with sales work and the procurement of contracts are recognised in the income statement when incurred.

Prepayments and accrued income

Prepayments and accrued income recognised under assets comprise incurred costs concerning the following financial year.

Cash on hand and demand deposits

Cash on hand and demand deposits comprise cash at bank and on hand.

Equity

Reserve for net revaluation according to the equity method

The reserve for net revaluation according to the equity method comprises net revaluation of equity investments in subsidiaries, associates and equity interests proportional to cost.

The reserve may be eliminated in the event of losses, realisation of equity investments, or changes in the accounting estimates.

The reserve cannot be recognised by a negative amount.

Reserve for development costs

The reserve for development costs comprises recognised development costs less related deferred tax liabilities.

The reserve cannot be used as dividends or for covering losses.

The reserve is reduced or dissolved if the recognised development costs are amortised or abandoned. This is done by direct transfer to the distributable reserves of the equity.

Dividend

Dividend expected to be distributed for the year is recognised as a separate item under equity.

Income tax and deferred tax

Current tax liabilities and current tax receivable are recognised in the statement of financial position as calculated tax on the taxable income for the year, adjusted for tax of previous years' taxable income and for tax paid on account.

The company is jointly taxed with consolidated Danish companies. The current corporate income tax is distributed between the jointly taxed companies in proportion to their taxable income and with full distribution with reimbursement as to tax losses. The jointly taxed companies are comprised by the Danish tax prepayment scheme.

Joint taxation contributions payable and receivable are recognised in the statement of financial position as ”Income tax receivable” or “Income tax payable”.

According to the rules of joint taxation, NGI A/S is unlimitedly, jointly, and severally liable to pay the Danish tax authorities the total income tax, including withholding tax on interest, royalties, and dividends, arising from the jointly taxed group of companies.

Deferred tax is measured on the basis of temporary differences in assets and liabilities with a focus on the statement of financial position. Deferred tax is measured at net realisable value.

Adjustments take place in relation to deferred tax concerning elimination of unrealised intercompany gains and losses.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation prevailing in the respective countries on the reporting date when the deferred tax is expected to be released as current tax. Changes in deferred tax due to changed tax rates are recognised in the income statement, except for items included directly in the equity.

Deferred tax assets, including the tax value of tax losses allowed for carryforward, are recognised at the value at which they are expected to be realisable, either by settlement against tax of future earnings or by set-off in deferred tax liabilities within the same legal tax unit. Any deferred net tax assets are measured at net realisable value.

Liabilities other than provisions

Financial liabilities other than provisions related to borrowings are recognised at the received proceeds less transaction costs incurred. In subsequent periods, the financial liabilities are recognised at amortised cost, corresponding to the capitalised value when using the effective interest rate. The difference between the proceeds and the nominal value is recognised in the income statement during the term of the loan.

Also, capitalised residual leasing liabilities associated with financial leasing contracts are recognised in the financial liabilities.

Other liabilities concerning payables to suppliers, group enterprises, and other payables are measured at amortised cost which usually corresponds to the nominal value.