



Tel.: +45 63 21 60 00  
svendborg@bdo.dk  
www.bdo.dk

BDO Statsautoriseret revisionsaktieselskab  
Grønnemosevej 6  
DK-5700 Svendborg  
CVR no. 20 22 26 70

**KJAER & KJAER A/S**  
**GRØNNEMOSEVEJ 6, 5700 SVENDBORG**  
**ANNUAL REPORT**  
**1 JANUARY - 31 DECEMBER 2019**

**The Annual Report has been presented and  
adopted at the Company's Annual General  
Meeting on 15 May 2020**

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**Mads Krarup Kjær**

*The English part of this document is an unofficial translation of the original Danish text, and in case of any discrepancy between the Danish text and the English translation, the Danish text shall prevail.*

**CVR NO. 25 47 31 08**

**CONTENTS**

	<b>Page</b>
<b>Company Details</b>	
Company Details.....	3
<b>Statement and Report</b>	
Statement by Board of Directors and Board of Executives.....	4
Independent Auditor's Report.....	5-6
<b>Management's Review</b>	
Financial Highlights.....	7
Management's Review.....	8
<b>Financial Statements 1 January - 31 December</b>	
Income Statement.....	9
Balance Sheet.....	10-11
Equity.....	12
Cash Flow Statement.....	13
Notes.....	14-17
Accounting Policies.....	18-20

**COMPANY DETAILS**

<b>Company</b>	KJAER & KJAER A/S Grønnemosevej 6 5700 Svendborg  CVR No.: 25 47 31 08 Established: 16 June 2000 Registered Office: Svendborg Financial Year: 1 January - 31 December
<b>Board of Directors</b>	Mads Krarup Kjær, chairman Richard Valentin Nijhout Flemming Eltang
<b>Board of Executives</b>	Richard Valentin Nijhout
<b>Auditor</b>	BDO Statsautoriseret revisionsaktieselskab Grønnemosevej 6 5700 Svendborg

## STATEMENT BY BOARD OF DIRECTORS AND BOARD OF EXECUTIVES

Today the Board of Directors and Board of Executives have discussed and approved the Annual Report of KJAER & KJAER A/S for the financial year 1 January - 31 December 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 Company's financial position 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.

The Management's Review includes in our opinion a fair presentation of the matters dealt with in the Review.

We recommend the Annual Report be approved at the Annual General Meeting.

Svendborg, 15 May 2020

Board of Executives

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Richard Valentin Nijhout

Board of Directors

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Mads Krarup Kjær  
Chairman

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Richard Valentin Nijhout

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Flemming Eltang

## INDEPENDENT AUDITOR'S REPORT

### To the Shareholder of KJAER & KJAER A/S

#### Opinion

We have audited the Financial Statements of KJAER & KJAER A/S for the financial year 1 January - 31 December 2019, which comprise income statement, balance sheet, statement of changes in equity, cash flows, notes and a summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Financial Statements give a true and fair view of the assets, liabilities and 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 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 Financial Statements" section of our report. 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 the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

#### 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 about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism 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.

## INDEPENDENT AUDITOR'S REPORT

- 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 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 Management's Review.

Our opinion on the Financial Statements does not cover 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 Management's Review and, in doing so, consider whether 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 Management's Review provides the information required under the Danish Financial Statements Act.

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

Svendborg, 15 May 2020

BDO Statsautoriseret revisionsaktieselskab  
CVR no. 20 22 26 70

Niels Duedahl  
State Authorised Public Accountant  
MNE no. mne11644

## FINANCIAL HIGHLIGHTS

	2019 DKK millions	2018 DKK millions	2017 DKK millions	2016 DKK millions	2015 DKK millions
<b>Income statement</b>					
Net revenue.....	90	121	130	106	123
Gross profit/loss.....	15	10	9	12	8
Operating profit/loss before depreciation/EBITDA.....	11	6	4	7	4
Operating profit/loss.....	11	6	4	7	4
Financial income and expenses, net.....	1	-2	-1	-1	-1
Profit/loss for the year before tax.....	12	4	2	6	3
Profit/loss for the year.....	9	3	2	5	2
<b>Balance sheet</b>					
Balance sheet total.....	91	115	111	117	108
Equity.....	55	45	44	40	35
Net interest-bearing debt.....	-37	-36	-18	-29	13
Fixed assets.....	0	1	1	1	2
Inventories.....	20	31	32	29	39
Trade receivables.....	10	11	23	18	19
Other current assets.....	1	3	2	1	0
Current liabilities.....	-12	-37	-32	-38	-12
<b>Cash flows</b>					
Investment in tangible fixed assets.....	0	0	0	0	0
<b>Ratios</b>					
Profit margin.....	12,2	4,9	2,9	6,5	3,4
Solvency ratio.....	60,4	39,3	39,4	34,0	32,9
Return on equity.....	18,0	6,7	4,4	12,8	6,8

The ratios stated in the list of key figures and ratios have been calculated as follows:

Profit margin:

$$\frac{\text{Operating profit/loss} \times 100}{\text{Net revenue}}$$

Solvency ratio:

$$\frac{\text{Equity, at year end} \times 100}{\text{Total equity and liabilities, at year end}}$$

Return on equity:

$$\frac{\text{Profit/loss after tax} \times 100}{\text{Average equity}}$$

The ratios follow in all material respects the recommendations of the Danish Finance Society.

## MANAGEMENT'S REVIEW

### Principal activities

Kjaer & Kjaer A/S provides automotive mobility solutions tailor made to organizations operating in the International Aid and Development sector, delivering high quality vehicles, motorcycles, parts, accessories as well as a number of supporting services such as worldwide logistical support, insurance and financing. Through an extensive network of local dealers and service partners, customers are provided quality aftersales services.

Kjaer & Kjaer A/S is a subsidiary of Kjaer Group A/S. Kjaer & Kjaer adheres to the Kjaer Group Way Of Management and Corporate Social Responsibility policy, whereby Kjaer & Kjaer is committed to the principles articulated in the United Nations Global Compact (UNGC). Kjaer & Kjaer further confirms support for a cleaner environment by joining the UN's environmental initiative "Caring for the Climate".

### Development in activities and financial position

The international aid and development sector is characterized by organizations which operate both on an international and a local level, managing projects of different character and size. The business is also influenced by single larger deliveries which vary year by year and as such are difficult to forecast.

### Profit/loss for the year compared to future expectations

In 2019 Kjaer & Kjaer realized a turnover of DKK 90 million, down with DKK 31 million compared to 2018. Other external expenses decreased with DKK 10 million mainly due to lower management fee charges to the Group for the year and an adjustment for last year. Earnings after tax were DKK 9 million and Kjaer & Kjaer generated a positive cash flow of DKK 9 million which reduced the net bank debt. The result is considered satisfactory.

### Significant events after the end of the financial year

No events have occurred after the end of the financial year of material importance for the company's financial position.

Covid-19 has totally changed the market conditions in the first months of 2020. We have suspended the budget for 2020 and is revising the Outlook 2020 monthly and as the situation evolves. Our expectation is for a decrease in turnover and result for the year 2020 but still positive for the year.

### Special risks

The company is working systematically with risk management with the aim of minimizing, spreading and insuring risks.

Given the company's market focus on developing countries we consider country risks and exchange rate risks to be of special importance to the company in addition to ordinary accepted risks within automotive trade and distribution.

Insurance has been taken out against political risks to inventories in countries outside OECD.

Significant transaction-based exchange rate risks are being hedged in order to maintain low exposure to commercial exchange rate risks.

### Future expectations

Our expectation is for a decrease in turnover and result for the year 2020 but still positive for the year.



**INCOME STATEMENT 1 JANUARY - 31 DECEMBER**

	Note	2019 DKK '000	2018 DKK '000
<b>NET REVENUE</b> .....	1	<b>89.937</b>	<b>120.884</b>
Cost of sales.....		-72.358	-98.469
Other operating income.....		0	105
Other external expenses.....		-3.072	-12.432
<b>GROSS PROFIT/LOSS</b> .....		<b>14.507</b>	<b>10.088</b>
Staff costs.....	2	-3.736	-4.111
Depreciation, amortisation and impairment losses.....		0	12
<b>OPERATING PROFIT</b> .....		<b>10.771</b>	<b>5.989</b>
Other financial income.....	3	5.118	2.929
Other financial expenses.....	4	-4.301	-5.120
<b>PROFIT BEFORE TAX</b> .....		<b>11.588</b>	<b>3.798</b>
Tax on profit/loss for the year.....	5	-2.550	-835
<b>PROFIT FOR THE YEAR</b> .....	6	<b>9.038</b>	<b>2.963</b>

**BALANCE SHEET AT 31 DECEMBER**

<b>ASSETS</b>	<b>Note</b>	<b>2019</b> DKK '000	<b>2018</b> DKK '000
Manufactured goods and goods for resale.....		16.219	31.391
Prepayments for goods.....		4.015	0
<b>Inventories.....</b>	<b>7</b>	<b>20.234</b>	<b>31.391</b>
Trade receivables.....		9.820	11.447
Receivables from group enterprises.....		59.658	69.400
Deferred tax assets.....	<b>8</b>	481	622
Other receivables.....		445	2.638
<b>Receivables.....</b>		<b>70.404</b>	<b>84.107</b>
<b>CURRENT ASSETS.....</b>		<b>90.638</b>	<b>115.498</b>
<b>ASSETS.....</b>		<b>90.638</b>	<b>115.498</b>

## BALANCE SHEET AT 31 DECEMBER

EQUITY AND LIABILITIES	Note	2019 DKK '000	2018 DKK '000
Share capital.....	9	20.000	20.000
Retained earnings.....		5.832	25.378
Proposed dividend.....		29.000	0
<b>EQUITY.....</b>		<b>54.832</b>	<b>45.378</b>
Other provisions for liabilities.....	10	760	606
<b>PROVISION FOR LIABILITIES.....</b>		<b>760</b>	<b>606</b>
Other liabilities.....		117	0
<b>Long-term liabilities.....</b>	11	<b>117</b>	<b>0</b>
Bank debt.....		19.919	28.935
Prepayments received from customers.....		3.502	4.463
Trade payables.....		4.003	29.671
Payables to group enterprises.....		2.790	4.333
Corporation tax.....		2.526	319
Other liabilities.....		2.189	1.793
<b>Current liabilities.....</b>		<b>34.929</b>	<b>69.514</b>
<b>LIABILITIES.....</b>		<b>35.046</b>	<b>69.514</b>
<b>EQUITY AND LIABILITIES.....</b>		<b>90.638</b>	<b>115.498</b>
 Contingencies etc.	 12		
Related parties	13		
Significant events after the end of the financial year	14		
Consolidated financial statements	15		

## EQUITY

	Share capital	Retained earnings	Proposed dividend	Total
Equity at 1 January 2019.....	20.000	25.378	0	45.378
Foreign exchange adjustments.....		416		416
Proposed distribution of profit.....		-19.962	29.000	9.038
<b>Equity at 31 December 2019.....</b>	<b>20.000</b>	<b>5.832</b>	<b>29.000</b>	<b>54.832</b>

**CASH FLOW STATEMENT 1 JANUARY - 31 DECEMBER**

	<b>2019</b>	<b>2018</b>
	DKK '000	DKK '000
Profit/loss for the year.....	9.038	2.963
Reversed realization gains.....	0	-12
Reversed tax on profit/loss for the year.....	2.550	835
Other adjustments.....	533	-1.523
Corporation tax paid.....	-319	-829
Change in inventory.....	11.157	249
Change in receivables.....	13.562	-5.323
Change in current liabilities (ex bank and tax).....	-27.776	8.364
Other cash flows from operating activities.....	271	-1.030
<b>CASH FLOWS FROM OPERATING ACTIVITY.....</b>	<b>9.016</b>	<b>3.694</b>
Sale of tangible fixed assets.....	0	13
<b>CASH FLOWS FROM INVESTING ACTIVITY.....</b>	<b>0</b>	<b>13</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS.....</b>	<b>9.016</b>	<b>3.707</b>
Liquid funds 1. januar.....	-28.935	-32.642
<b>CASH AND CASH EQUIVALENTS AT 31. DECEMBER.....</b>	<b>-19.919</b>	<b>-28.935</b>
Specification of cash and cash equivalents at 31 December:		
Bank debt.....	-19.919	-28.935
<b>CASH AND CASH EQUIVALENTS, NET DEBT.....</b>	<b>-19.919</b>	<b>-28.935</b>

## NOTES

	2019 DKK '000	2018 DKK '000	Note
<b>Net revenue</b>			<b>1</b>
Vehicles.....	54.461	88.783	
Motorcycles.....	30.326	22.754	
Spare parts.....	5.150	9.347	
	<b>89.937</b>	<b>120.884</b>	
<b>Segment details (geography)</b>			
Africa.....	69.219	110.190	
Asia & Middle East.....	18.883	9.842	
Other.....	1.835	852	
	<b>89.937</b>	<b>120.884</b>	
<b>Segment details (activities)</b>			
International Aid & Development.....	89.937	120.884	
	<b>89.937</b>	<b>120.884</b>	
<b>Staff costs</b>			<b>2</b>
Average number of employees 7 (2018: 9)			
Wages and salaries.....	3.263	3.553	
Pensions.....	403	450	
Social security costs.....	60	82	
Other staff costs.....	10	26	
	<b>3.736</b>	<b>4.111</b>	
<b>Other financial income</b>			<b>3</b>
Financial income atc. from group companies.....	2.706	2.929	
Other interest income.....	2.412	0	
	<b>5.118</b>	<b>2.929</b>	
<b>Other financial expenses</b>			<b>4</b>
Group enterprises.....	506	131	
Other interest expenses.....	3.795	4.989	
	<b>4.301</b>	<b>5.120</b>	
<b>Tax on profit/loss for the year</b>			<b>5</b>
Calculated tax on taxable income of the year.....	2.409	654	
Adjustment of deferred tax.....	141	181	
	<b>2.550</b>	<b>835</b>	

## NOTES

	2019 DKK '000	2018 DKK '000	Note		
<b>Proposed distribution of profit</b>			<b>6</b>		
Proposed dividend for the year.....	29.000	0			
Retained earnings.....	-19.962	2.963			
	<b>9.038</b>	<b>2.963</b>			
<b>Inventories</b>			<b>7</b>		
Fremstillede færdigvarer og handelsvarer.....	16.219	31.391			
Forudbetaling for varer.....	4.015	0			
	<b>20.234</b>	<b>31.391</b>			
<b>Deferred tax assets</b>			<b>8</b>		
Provision for deferred tax comprises deferred tax on tangible fixed assets and inventories.					
Deferred tax, beginning of year.....	622	804			
Adjustment of deferred tax.....	-141	-182			
<b>Deferred tax assets 31 December 2019.....</b>	<b>481</b>	<b>622</b>			
The tax asset is primarily attributable to differences on tangible fixed assets. The tax asset is recognized on the basis of the expectations to the positive tax profits for the next couple of years, and the tax asset is then expected to be fully utilized.					
<b>Share capital</b>			<b>9</b>		
Specification of the share capital:					
A-shares, 20.000 in the denomination of 1.000 DKK.....	20.000	20.000			
	<b>20.000</b>	<b>20.000</b>			
<b>Other provisions for liabilities</b>			<b>10</b>		
Warranty commitments include liabilities for improvement of work within the warranty period of 1 to 5 years. The provision for liabilities is measured and recognised on the basis of experience with warranty work.					
<b>Long-term liabilities</b>			<b>11</b>		
	31/12 2019 total liabilities	Repayment next year	Debt outstanding after 5 years	31/12 2018 total liabilities	Current portion at the beginning of the year
Other liabilities.....	117	0	117	0	0
	<b>117</b>	<b>0</b>	<b>117</b>	<b>0</b>	<b>0</b>

**NOTES****Note****Contingencies etc.****12****Contingent liabilities**

The company has guaranteed for bank debt and guarantees in the parent company Kjaer Group A/S and Auto Kjaer A/S. Actual liabilities debt DKK ('000) 22 with a maximum total liability DKK ('000) 25.

The company has guaranteed for other financial letter of guarantees issued in security for liabilities in Kjaer Group A/S DKK ('000) 38.

The company is jointly and severally liable together with the parent company and the other group companies in the joint taxable group for tax on the group's joint taxable income and for certain possible withholding taxes, such as dividend tax, etc. , and for the joint registration of VAT.

The company has entered into an operating lease contract with an average annual lease payment of DKK ('000) 85. The lease contract has a residual duration of 24 months and a total remaining lease payment of DKK ('000) 170.

Inventories are under retention of title from supplier, DKK ('000) 1.586.

**Joint liabilities**

The company is jointly and severally liable together with the parent company and the other group companies in the joint taxable group for tax on the group's joint taxable income and for certain possible withholding taxes, such as dividend tax, etc.

Tax payable on the Group's joint taxable income is stated in the annual report of THE WAY FORWARD ApS, which serves as management company for the joint taxation.

**Related parties****13**

The following related parties have controlling interest in Kjaer & Kjaer A/S.

Kjaer Group A/S  
Grønnemosevej 6  
5700 Svendborg, Denmark  
Vat no.: DK 81 31 72 16

Kjaer Group A/S owns 100% of the shares in Kjaer & Kjaer A/S.

The company did not carry out any material transactions that were not concluded on market conditions. According to section 98c, subsection 7 of the Danish Financial Statements Act information is given only on transactions that were not performed on common market conditions.

**Significant events after the end of the financial year****14**

No events have occurred after the end of the financial year of material importance for the company's financial position.

Covid-19 has totally changed the market conditions in the first months of 2020. We have suspended the budget for 2020 and is revising the Outlook 2020 monthly and as the situation evolves. Our expectation is for a decrease in turnover and result for the year 2020 but still positive for the year.



**NOTES****Note****Consolidated financial statements****15**

Kjaer & Kjaer A/S is consolidated with Kjaer Group A/S, Svendborg (CVR no.: 81 31 72 16) which is the smallest consolidation. And is consolidated with The Way Forward ApS, Copenhagen (CVR no.: 25 47 31 59) which is the largest consolidation.

## ACCOUNTING POLICIES

The Annual Report of KJAER & KJAER A/S for 2019 has been presented in accordance with the provisions of the Danish Financial Statements Act for enterprises in reporting class C, medium enterprise.

The Annual Report is prepared consistently with the accounting principles applied last year.

## INCOME STATEMENT

### Net revenue

Net revenue from sale of merchandise and finished goods is recognised in the income statement if supply and risk transfer to purchaser has taken place before the end of the year and if the income can be measured reliably and is expected to be received. Net revenue is recognised exclusive of VAT, duties and less discounts related to the sale.

### Other operating income

Other operating income includes items of a secondary nature in relation to the enterprises' principal activities, including profit from sale of intangible and tangible fixed assets.

### Cost of sales

Cost of sales comprise costs incurred to achieve the net revenue for the year, including direct and indirect costs of raw materials and consumables.

### Other external expenses

Other external expenses include cost of sales, advertising, administration, buildings, bad debts, operating lease expenses, etc.

### Staff costs

Staff costs comprise wages and salaries, including holiday pay and pensions and other costs for social security etc. for the company's employees. Repayments from public authorities are deducted from staff costs.

### Financial income and expenses

Financial income and expenses include interest income and expenses, financial expenses of finance leases, realised and unrealised gains and losses arising from investments in financial assets, debt and transactions in foreign currencies, amortisation of financial assets and liabilities as well as charges and allowances under the tax-on-account scheme etc. Financial income and expenses are recognised in the income statement by the amounts that relate to the financial year.

### Tax

The tax for the year, which consists of the current tax for the year and changes in deferred tax, is recognised in the income statement by the portion that may be attributed to the profit for the year, and is recognised directly in the equity by the portion that may be attributed to entries directly to the equity.

## ACCOUNTING POLICIES

### BALANCE SHEET

#### Inventories

Inventories are measured at cost using the FIFO-principle. If the net realisable value is lower than cost, the inventories are written down to the lower value.

The cost of merchandise as well as raw materials and consumables is calculated at acquisition price with addition of transportation and similar costs.

The net realisable value of inventories is stated at sales price less completion costs and costs incurred to execute the sale and is determined with due regard to marketability, obsolescence and development in expected sales price.

#### Receivables

Receivables are measured at amortised cost which usually corresponds to nominal value. The value is written down to meet expected losses.

#### Other provisions for liabilities

Other provisions for liabilities include the expected cost of warranty commitments.

Warranty commitments include liabilities for improvement of work within the warranty period of 1 to 5 years. The provision for liabilities is measured and recognised on the basis of experience with warranty work.

#### Tax payable and deferred tax

Current tax liabilities and receivable current tax are recognised in the balance sheet as the calculated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and taxes paid on account.

The company is subject to joint taxation with Danish group companies. The current corporation tax is distributed among the joint taxable companies in proportion to their taxable income and with full allocation and refund related to tax losses. The joint taxable companies are included in the tax-on-account scheme. Joint taxation contributions receivable and payable are recognised in the balance sheet under current assets and liabilities, respectively.

Deferred tax is measured on the temporary differences between the carrying amount and the tax value of assets and liabilities.

Deferred tax assets, including the tax value of tax loss carry-forwards, are measured at the expected realisable value of the asset, either by set-off against tax on future earnings or by set-off 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 under the legislation in force on the balance sheet date will be applicable when the deferred tax is expected to crystallise as current tax. Any changes in the deferred tax resulting from changes in tax rates, are recognised in the income statement, except from items recognised directly in equity.

#### Liabilities

Financial liabilities are recognised at the time of borrowing by the amount of proceeds received less borrowing costs. In subsequent periods, the financial liabilities are measured at amortised cost equal to the capitalised value when using the effective interest, the difference between the proceeds and the nominal value being recognised in the Income Statement over the term of loan.

Amortised cost for short-term liabilities usually corresponds to the nominal value.

## ACCOUNTING POLICIES

### Foreign currency translation

Transactions in foreign currencies are translated at the rate of exchange on the transaction date. Exchange differences arising between the rate on the transaction date and the rate on the payment date are recognised in the income statement as a financial income or expense.

If the foreign exchange position is considered to hedge future cash flows, the unrealised exchange adjustments are recognised directly in the equity.

Receivables, payables and other monetary items in foreign currencies that are not settled on the balance sheet date are translated at the exchange rate on the balance sheet date. The difference between the exchange rate on the balance sheet date and the exchange rate at the time of occurrence of the receivables or payables is recognised in the income statement as financial income or expenses.

Fixed assets acquired in foreign currencies are translated at the rate of exchange on the transaction date.

## CASH FLOW STATEMENT

The cash flow statement shows the company's cash flows for the year for operating activities, investing activities and financing activities in the year, the change in cash and cash equivalents of the year and cash and cash equivalents at beginning and end of the year.

### Cash flows from operating activities:

Cash flows from operating activities are computed as the results for the year adjusted for non-cash operating items, changes in net working capital and corporation tax paid.

### Cash flows from investing activities:

Cash flows from investing activities include payments in connection with purchase and sale of intangible and tangible fixed asset and fixed asset investments.

### Cash flows from financing activities:

Cash flows from financing activities include changes in the size or composition of share capital and related costs, and borrowings and repayment of interest-bearing debt and payment of dividend to shareholders.

### Cash and cash equivalents:

Cash and cash equivalents include bank overdraft and cash in hand.