
LM Group Holding A/S

Jupitervej 6, DK-6000 Kolding

Annual Report for 1 January - 31 December 2021

CVR No 25 71 17 77

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
18/7 2022

Bjarne Sandager Nielsen
Chairman of the General
Meeting

Contents

	<u>Page</u>
Management's Statement and Auditor's Report	
Management's Statement	1
Independent Auditor's Report	2
Management's Review	
Company Information	5
Financial Highlights	6
Management's Review	7
Financial Statements	
Income Statement 1 January - 31 December	9
Balance Sheet 31 December	10
Statement of Changes in Equity	12
Notes to the Financial Statements	13

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of LM Group Holding A/S for the financial year 1 January - 31 December 2021.

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 2021 of the Company and of the results of the Company operations for 2021.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

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

Kolding, 18 July 2022

Executive Board

Olivier Gaston René Fontan
CEO

Board of Directors

Bjarne Sandager Nielsen
Chairman

Olivier Gaston René Fontan

Ksenia Valtycheva

Jeppe Bjørn Jørgensen
Staff Representative

Torben Skjødt Nielsen
Staff Representative

Independent Auditor's Report

To the Shareholder of LM Group Holding A/S

Opinion

We have audited the financial statements of LM Group Holding A/S for the financial year 01.01.2021 - 31.12.2021, which comprise the income statement, balance sheet, statement of changes in equity, and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2021 and of the results of its operations for the financial year 01.01.2021 - 31.12.2021 in accordance with the Danish Financial Statements Act.

Basis for Opinion

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

Management's responsibility for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Independent Auditor's Report

audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management .
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

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

Moreover, it is our responsibility to consider whether the management commentary provides the

Independent Auditor's Report

information required under the Danish Financial Statements Act.

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

Copenhagen, 18 July 2022

Deloitte

Statsautoriseret Revisionspartnerselskab

CVR No 33 96 35 56

Lars Siggaard Hansen

Stae Authorised Public Accountant

mne32208

Company Information

The Company

LM Group Holding A/S
Jupitervej 6
DK-6000 Kolding
Website: www.lmwindpower.com

CVR No: 25 71 17 77

Financial period: 1 January - 31 December

Incorporated: 13 November 2000

Municipality of reg. office: Kolding

Board of Directors

Bjarne Sandager Nielsen, Chairman
Olivier Gaston René Fontan
Ksenia Valtycheva
Jeppe Bjørn Jørgensen
Torben Skjødt Nielsen

Executive Board

Olivier Gaston René Fontan

Auditors

Deloitte
Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
DK-2300 København S

Financial Highlights

Seen over a five-year period, the development of the Company is described by the following financial highlights:

	2021 TDKK	2020 TDKK	2019 TDKK	2018 TDKK	2017 TDKK
Key figures					
Profit/loss					
Gross profit/loss	52.254	69.593	90.566	90.416	80.568
Operating profit/loss	6.970	9.229	11.239	12.155	9.101
Net financials	-8.143.412	6.078.753	-819	-12.457	-70.706
Net profit/loss for the year	-8.137.869	6.084.512	4.253	-25.058	-66.590
Balance sheet					
Balance sheet total	9.059.558	21.277.333	11.673.018	6.091.034	8.873.661
Equity	4.322.605	12.460.474	6.375.962	5.510.954	6.426.783
Number of employees	54	72	77	78	77
Ratios					
Return on assets	0,1%	0,0%	0,1%	0,2%	0,1%
Solvency ratio	47,7%	58,6%	54,6%	90,5%	72,4%
Return on equity	-97,0%	64,6%	0,1%	-0,4%	-1,1%

In 2018 LM Group Holding A/S merged with LM Wind Power Holding A/S, LM WP Holdings A/S and Friction Holding A/S. Figures for 2018 were updated accordingly. Comparative figures for 2017 remain unchanged.

In 2020 LM Group Holding A/S announced the merger with GE Global Holdings Denmark ApS with retrospective effect from 1 January 2020. Comparative figures for 2019 were updated accordingly. Comparative figures for 2017 - 2018 remain unchanged.

Management's Review

Key activities

The Company's main activity is to own shares in subsidiaries and to provide management services to the subsidiaries.

Development in the year

The income statement of the Company for 2021 shows a loss of TDKK 8,137,869, and at 31 December 2021 the balance sheet of the Company shows equity of TDKK 4,322,605.

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

The Company has not met last year's expectation due to impairment of investments in subsidiaries, which is driven by the significant market trends affecting the Wind Energy business on the short term. These dynamics resulted in significant decline in the 2021 activities, in the forecast and on the short term projected financial information of LM group, which is the main driver for the impairment of the investment in subsidiaries of DKK 12,036 million recorded in 2021.

Despite the challenges, the mid and long-term outlook for wind energy is positive. Wind power is poised to play a vital role in accelerating the global energy transition, the energy system reform packages underway in Europe and other region.

Capital resources

The Company will have continued access to financing from the parent group cash pool in 2022.

Operating risks

The Company is not subject to any special operating risks.

The Group is subject to operating risks in form of risk of warranty claims. The risk is addressed constantly through the Company's quality system and inspections of goods prior to delivery.

Foreign exchange risks

The Company and the group is to some degree exposed towards foreign exchange risks, which are addressed through hedging if deemed necessary.

Targets and expectations for the year ahead

For 2022, Management expects a profit for the Company in the range from TDKK 1,000 to TDKK 10,000 originating from administration activities.

Research and development

The Company has no research and development activities.

Management's Review

External environment

Management finds that the Company's activities does not materially impact the external environment.

Intellectual capital resources

As the Company's activities are to provide management services to the subsidiaries in the LM Wind Power Group, it is essential that the company can recruit and retain highly qualified personnel, particularly within relevant management disciplines.

Uncertainty relating to recognition and measurement

Recognition and measurement in the Annual Report have not been subject to any unusual uncertainty, though the impairment and valuation of investments in subsidiaries are depending on management estimates for the future income in the subsidiaries.

Subsequent events

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

Income Statement 1 January - 31 December

	<u>Note</u>	<u>2021</u> TDKK	<u>2020</u> TDKK
Gross profit/loss		52.254	69.593
Staff expenses	1	<u>-45.284</u>	<u>-60.364</u>
Profit/loss before financial income and expenses		6.970	9.229
Income from investments in subsidiaries	2	-8.126.968	6.093.140
Financial income	3	47	14.064
Financial expenses	4	<u>-16.491</u>	<u>-28.451</u>
Profit/loss before tax		-8.136.442	6.087.982
Tax on profit/loss for the year	5	<u>-1.427</u>	<u>-3.470</u>
Net profit/loss for the year		<u>-8.137.869</u>	<u>6.084.512</u>

Balance Sheet 31 December

Assets

	<u>Note</u>	<u>2021</u> TDKK	<u>2020</u> TDKK
Investments in subsidiaries	6	8.860.705	20.896.594
Financial fixed asset		8.860.705	20.896.594
Fixed assets		8.860.705	20.896.594
Receivables from group enterprises		181.410	339.635
Other receivables	7	11.204	29.945
Deferred tax asset	8	544	1.828
Prepayments	9	5.695	9.331
Receivables		198.853	380.739
Currents assets		198.853	380.739
Assets		9.059.558	21.277.333

Balance Sheet 31 December

Liabilities and equity

	Note	2021 TDKK	2020 TDKK
Share capital		70.065	70.065
Retained earnings		4.252.540	12.390.409
Equity		4.322.605	12.460.474
Other provisions	10	14.611	17.829
Provisions		14.611	17.829
Payables to group enterprises		1.285.000	0
Long-term debt	11	1.285.000	0
Trade payables		1.225	241
Payables to group enterprises	11	3.413.344	8.763.867
Corporation tax		0	0
Other payables		22.773	34.922
Short-term debt		3.437.342	8.799.030
Debt		4.722.342	8.799.030
Liabilities and equity		9.059.558	21.277.333
Profit appropriation	12		
Contingent liabilities and other financial obligations	13		
Related parties	14		
Accounting Policies	15		

Statement of Changes in Equity

	Share capital	Retained earnings	Total
	TDKK	TDKK	TDKK
Equity at 1 January	70.065	12.390.409	12.460.474
Net profit/loss for the year	0	-8.137.869	-8.137.869
Equity at 31 December	70.065	4.252.540	4.322.605

Notes to the Financial Statements

	<u>2021</u>	<u>2020</u>
	TDKK	TDKK
1 Staff expenses		
Wages and salaries	41.427	55.992
Pensions	3.051	3.913
Other social security expenses	637	459
Other staff expenses	169	0
	<u>45.284</u>	<u>60.364</u>
including remuneration to the Board of Directors	<u>28</u>	<u>55</u>
Average number of employees	<u>54</u>	<u>72</u>
2 Income from investments in subsidiaries		
Impairment	-12.035.889	-3.912.119
Dividend	3.908.921	10.005.259
	<u>-8.126.968</u>	<u>6.093.140</u>
3 Financial income		
Interest received from group enterprises	2	10
Other financial income	45	14.054
	<u>47</u>	<u>14.064</u>
4 Financial expenses		
Interest paid to group enterprises	600	23.583
Other financial expenses	15.891	4.868
	<u>16.491</u>	<u>28.451</u>

Notes to the Financial Statements

	2021 <u>TDKK</u>	2020 <u>TDKK</u>
5 Tax on profit/loss for the year		
Current tax for the year	-1.648	0
Deferred tax for the year	1.274	470
Adjustment of tax concerning previous years	1.791	3.000
Adjustment of deferred tax concerning previous years	<u>10</u>	<u>0</u>
	<u>1.427</u>	<u>3.470</u>
6 Investments in subsidiaries		
Cost at 1 January	24.808.713	10.298.790
Additions for the year	<u>0</u>	<u>14.509.923</u>
Cost at 31 December	<u>24.808.713</u>	<u>24.808.713</u>
Value adjustments at 1 January	-3.912.119	0
Revaluations for the year, net	<u>-12.035.889</u>	<u>-3.912.119</u>
Value adjustments at 31 December	<u>-15.948.008</u>	<u>-3.912.119</u>
Carrying amount at 31 December	<u>8.860.705</u>	<u>20.896.594</u>

At 31 December 2021 an impairment test was prepared due to the change in the short to medium term market outlook. The impairment test resulted in an impairment loss of DKK 12.036 million which is recorded in the income statement. The impairment test is based on a discounted cashflow methodology, based on forecast provided by the business for budget years 2022 to 2024, after which period 2.2% long term growth rate was applied and 2025 as terminal year. The discount rate, weighted average cost of 10% was applied to discount these cash flows. A sensitivity analysis was also prepared based on 0.5% change of the weighted average cost or long term growth rate, resulting an impact of DKK 700 million.

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Ownership	Equity	Net profit/loss for the year
LM Wind Power Spain, SLU (2020)	Spain	100%	110.923	573.660
LM Wind Power (Schiphol) B.V. (2020)	Netherlands	100%	27.348	2.778
LM Wind Power A/S (2020)	Denmark	100%	884.274	-533.250
LM (China) Investment Company Ltd. (*) (2020)	China	100%	1.569.359	479.821

Notes to the Financial Statements

6 Investments in subsidiaries (continued)

Name	Place of registered office	Ownership	Equity	Net profit/loss for the year
LM Wind Power Blades (Qinhuangdao) Co., Ltd. (*) (2020)	China	100%	564.809	134.745
LM Wind Power Blades (Tianjin) Co., Ltd. (*) (2018)	China	100%	116.707	-11.277
LM Wind Power Blades Technology (Tianjin) Co., Ltd. (*) (2020)	China	100%	148.178	48.804
LM Wind Power Blades (Fujian) Co., Ltd. (*) (2020)	China	100%	-24.499	-24.072
LM Wind Power Blades (Jiangsu) Co., Ltd. (*) (2019)	China	100%	232.324	49.434
LM Wind Power Services (Deutschland) GmbH (*) (2020)	Germany	100%	0	0
LM Wind Power Blades (India) Private Ltd. (*) (2020)	India	100%	458.453	147.137
LM Wind Power R&D (Holland) B.V. (*) (2020)	Netherlands	100%	-70.946	3.770
LM Wind Power Blades (France) S.A (*) (2020)	France	100%	73.259	13.621
LM Wind Power do Brasil S.A. (*) (2019)	Brazil	100%	80.449	-33.904
LM Wind Power Blades (Poland) Sp. z.o.o. (*) (2020)	Poland	100%	519.795	1.805
LM Wind Power Turkey San. VE TIC.A.S. (*) (2020)	Turkey	2%	222.378	21.560
LM Wind Power Blades (Canada) Inc. (*) (**)	Canada	100%	0	0
4305825 Canada Inc. (*) (**)	Canada	100%	0	0
LM Wind Power UK Ltd. (*) (2020)	UK	100%	56.804	-27
Blades Dynamics Tidal Energy Ltd. (*) (2020)	UK	100%	1	0
Blades Dynamics Limited Liability Limited Partnership (*) (**)	US	100%	0	0

The voting rights are 100% in all subsidiaries.

Year figures in brackets indicate the year for the most recent published annual report.

Subsidiaries marked with a * are indirectly owned by LM Group Holding A/S.

For subsidiaries marked with ** there are no published annual reports.

7 Other receivables

Other receivables include TDKK 10.978 relating to tax payments made on an ongoing tax case, where management expects the ruling to be in favor of the Company. In addition, management estimate the settlement to be within one year.

Notes to the Financial Statements

	<u>2021</u> TDKK	<u>2020</u> TDKK
8 Deferred tax asset		
Deferred tax asset at 1 January	1.828	2.298
Amounts recognised in the income statement for the year	-1.274	-470
Amounts recognised as part of merger	-10	0
Deferred tax asset at 31 December	<u>544</u>	<u>1.828</u>

The recognised deferred tax asset mainly relates to timing differences on other payables expected to be settled next year.

9 Prepayments

Prepayments consist of prepaid expenses concerning insurance premiums and tuition fees.

	<u>2021</u> TDKK	<u>2020</u> TDKK
10 Other provisions		
Other provisions	<u>14.611</u>	<u>17.829</u>
	<u>14.611</u>	<u>17.829</u>

Other provisions relate to ongoing tax inquiries. Management has made an assessment of the outcome and provided for this. The timing of the possible settlements is uncertain.

Notes to the Financial Statements

11 Long-term debt

Payments due within 1 year are recognized in short-term debt. Other debt is recognized in long-term debt. Excluding the liabilities to group enterprises the Company's current assets exceeds the short term liabilities.

The Company will have continued access to financing from the parent group cash pool in 2022 which supports the Company's going concern assumption for 2022.

The debt falls due for payment as specified below:

Payables to group enterprises

Between 1 and 5 years	1.285.000	0
Long-term part	<u>1.285.000</u>	<u>0</u>
Other short-term debt to group enterprises	3.413.344	8.763.867
	<u>4.698.344</u>	<u>8.763.867</u>

12 Profit appropriation

Retained earnings	<u>-8.137.869</u>	<u>6.084.512</u>
	<u>-8.137.869</u>	<u>6.084.512</u>

Notes to the Financial Statements

13 Contingent liabilities and other financial obligations

Contingent liabilities

The Danish group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. LM Group Holding A/S is the management company of the joint taxation. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

As at 31 December 2021, the Company had issued guarantees towards customers and trading partners for subsidiaries for a total of DKK 62 million.

14 Related parties

Basis

Controlling interest

GE Albany Global Holdings B.V., Bergschot 69 B2, 4817 PA, Breda, Netherlands	Holds 100% of the capital
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Transactions

During the year, the Company had the following transactions with its subsidiaries:

Administration fee invoiced to group enterprises amounts to TDKK 167.371.

Administration fee invoiced from group enterprises amounts to TDKK 84.970.

Please refer to note 1 for reference to remuneration to Management, note 2 for reference to dividend from subsidiaries and note 3 and 4 for reference to disclosure of financial income and financial expenses to group entities.

For reference to balances with group entities, refer to the balance sheet.

Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company;

Notes to the Financial Statements

14 Related parties (continued)

<u>Name</u>	<u>Place of registered office</u>
General Electric Company	Boston, MA 02210, USA

The Group Annual Report of General Electric Company may be obtained at the following address:

General Electric Company, 41 Farnsworth Street, Boston, Massachusetts, 02210, USA.

General Electric Company prepares consolidated financial statements for the smallest and biggest Group, in which LM Group Holding A/S is a subsidiary.

The annual accounts of the parent company are available at www.ge.com.

Notes to the Financial Statements

15 Accounting Policies

The Annual Report of LM Group Holding A/S for 2021 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2021 are presented in TDKK.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of General Electric Company, the Company has not prepared consolidated financial statements.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of General Electric Company, the Company has not prepared a cash flow statement.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial 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 impairment losses and provisions.

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.

Business combinations

Pooling of interests

Intragroup business combinations are accounted for under the pooling-of-interests method. Under this method, the two enterprises are combined at carrying amounts, and no differences are identified. Any consideration which exceeds the carrying amount of the acquired enterprise is recognised directly in equity. The pooling-of-interests method is applied as if the two enterprises had always been combined by

Notes to the Financial Statements

15 Accounting Policies (continued)

restating comparative figures.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences 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 rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Income Statement

Revenue

Revenue from the sale of services is recognised when the risks and rewards relating to the services sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Revenue comprise intercompany management services.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Other external expenses

Other external expenses comprises expenses for premises as well as office expenses, etc.

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit is calculated as a summary of revenue, other operating income and other external expenses.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Notes to the Financial Statements

15 Accounting Policies (continued)

Other operating income and expenses

Other operating income and expenses comprise items of a secondary nature to the main activities of the Company, including refund of VAT for prior years.

Income from investments in subsidiaries

Dividends from subsidiaries are recognised as income in the income statement when adopted at the General Meeting of the subsidiary. However, dividends relating to earnings in the subsidiary before it was acquired by the Parent Company are set off against the cost of the subsidiary.

In addition, impairment of investments in subsidiaries and reversal of impairment of investments in subsidiaries are recognised as income from investments in subsidiaries.

Financial income and expenses

Financial income and expenses comprise interest, realised and unrealised exchange adjustments as well as extra payments and repayment under the on account taxation scheme.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with wholly owned Danish and foreign subsidiaries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Investments in subsidiaries

Investments in subsidiaries are measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Prepayments

Prepayments comprise prepaid expenses concerning insurance premiums and tuition fees.

Notes to the Financial Statements

15 Accounting Policies (continued)

Provisions

In measuring provisions, the expenses required to settle the liability are discounted to net present value, if this has a significant effect on the measurement of the liability. Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

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 are measured at the value at which the asset is expected to be realised, either by elimination in 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 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 or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax receivables and liabilities are recognised in the balance sheet as the expected taxable income for the year.

Financial debts

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

Financial Highlights

Explanation of financial ratios

Return on assets	$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$