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# ***LM Group Holding A/S***

Jupitervej 6, DK-6000 Kolding

## **Annual Report for 1 January - 31 December 2020**

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CVR No 25 71 17 77

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
28/6 2021

Peder Toft Nielsen  
Chairman of the General  
Meeting

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# 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 2020.

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 2020 of the Company and of the results of the Company operations for 2020.

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, 28 June 2021

## 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 1 January - 31 December 2020 comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2020 and of the results of the Company's operations for the financial year 1 January - 31 December 2020 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 rules and requirements. 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 that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements in Denmark will always detect a material misstatement when it exists. Misstatements may 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 financial statement users made 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 company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and contents of the financial statements, including the 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 the Management's review**

Management is responsible for the Management's review.

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

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

Moreover, it is our responsibility to consider whether the Management's review provides the information

# **Independent Auditor's Report**

required under the Danish Financial Statements Act.

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

Fredericia, 28 June 2021

**KPMG**

Statsautoriseret Revisionspartnerselskab

*CVR No 25 57 81 98*

Nikolaj Møller Hansen

State Authorised Public Accountant

mne33220

## **Company Information**

### **The Company**

LM Group Holding A/S  
Jupitervej 6  
DK-6000 Kolding  
Website: [www.lmwindpower.com](http://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**

KPMG  
Statsautoriseret Revisionspartnerselskab  
Vesterballevej 27, 2.  
DK-7000 Fredericia

## Financial Highlights

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

	2020 TDKK	2019 TDKK	2018 TDKK	2017 TDKK	2016 TDKK
<b>Key figures</b>					
<b>Profit/loss</b>					
Gross profit/loss	69.593	90.566	90.416	80.568	-30.748
Operating profit/loss	9.229	11.239	12.155	9.101	-77.325
Net financials	6.078.753	-819	-12.457	-70.706	1.681.624
Net profit/loss for the year	6.084.512	4.253	-25.058	-66.590	1.614.365
<b>Balance sheet</b>					
Balance sheet total	21.277.333	11.673.018	6.091.034	8.873.661	7.010.577
Equity	12.460.474	6.375.962	5.510.954	6.426.783	5.492.666
Number of employees	72	77	78	77	54
<b>Ratios</b>					
Return on assets	0,0%	0,1%	0,2%	0,1%	-1,1%
Solvency ratio	58,6%	54,6%	90,5%	72,4%	78,3%
Return on equity	64,6%	0,1%	-0,4%	-1,1%	34,5%

The ratios have been prepared in accordance with accounting policies.

In 2017, preparation of financial statements has changed from being prepared according to IFRS to being prepared according to the Danish Financial Statements Act. The change from IFRS to the Danish Financial Statements Act has no effect on the financial highlights.

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 has been updated accordingly. Comparative figures for 2017 and 2016 remain unchanged.

In 2021, LM Group Holding A/S merged with GE Global Holdings Denmark ApS with retrospective effect from 1 January 2020. Comparative figures for 2019 were updated accordingly. Comparative figures for 2016 - 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 2020 shows a profit of TDKK 6,084,512, and at 31 December 2020 the balance sheet of the Company shows equity of TDKK 12,460,474.

In 2020 LM Group Holding A/S merged with the parent entity GE Global Holdings Denmark ApS with LM Group Holding A/S as the continuing company.

At 31 December 2020 the Company acquired 100% of the shares in LM Wind Power A/S from LM Wind Power Spain SLU.

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

The Company has exceeded last year expectations for the 2020 result.

Income from investment in subsidiaries positively impacted the profit for the year by TDKK 6,093,140, which mainly relates to dividend received from LM Wind Power Spain SLU in connection with the above mentioned sale of LM Wind Power A/S from LM Wind Power Spain SLU to LM Group Holding A/S.

The Company activities were in line with prior year activities and the Group activities were expanded as expected.

## Special risks - operating risks and financial risks

### *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 2021, Management expects a profit for the Company in the range from TDKK 5.000 to TDKK 15.000 originating from administration activities.

## **Management's Review**

### **Research and development**

The Company has no research and development activities.

### **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 uncertainty.

### **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

	Note	2020 TDKK	2019 TDKK
<b>Gross profit</b>		<b>69.593</b>	<b>90.566</b>
Staff expenses	1	-60.364	-79.327
<b>Profit before financial income and expenses</b>		<b>9.229</b>	<b>11.239</b>
Income from investments in subsidiaries	2	6.093.140	0
Financial income	3	14.064	31
Financial expenses	4	-28.451	-850
<b>Profit before tax</b>		<b>6.087.982</b>	<b>10.420</b>
Tax on profit for the year	5	-3.470	-6.167
<b>Profit for the year</b>		<b>6.084.512</b>	<b>4.253</b>

## Balance Sheet 31 December

### Assets

	Note	2020 TDKK	2019 TDKK
Investments in subsidiaries	6	20.896.594	10.298.790
<b>Financial fixed asset</b>		<b>20.896.594</b>	<b>10.298.790</b>
<b>Fixed assets</b>		<b>20.896.594</b>	<b>10.298.790</b>
Receivables from group enterprises		339.635	1.329.998
Other receivables	7	29.945	28.912
Deferred tax asset	8	1.828	2.298
Prepayments	9	9.331	13.020
<b>Receivables</b>		<b>380.739</b>	<b>1.374.228</b>
<b>Currents assets</b>		<b>380.739</b>	<b>1.374.228</b>
<b>Assets</b>		<b>21.277.333</b>	<b>11.673.018</b>

# Balance Sheet 31 December

## Liabilities and equity

	Note	2020 TDKK	2019 TDKK
Share capital		70.065	70.065
Retained earnings		12.390.409	6.305.897
<b>Equity</b>		<b>12.460.474</b>	<b>6.375.962</b>
Other provisions	10	17.829	13.870
<b>Provisions</b>		<b>17.829</b>	<b>13.870</b>
Trade payables		241	2.843
Payables to group enterprises		8.763.867	5.254.609
Corporation tax		0	6.297
Other payables		34.922	19.437
<b>Short-term debt</b>		<b>8.799.030</b>	<b>5.283.186</b>
<b>Debt</b>		<b>8.799.030</b>	<b>5.283.186</b>
<b>Liabilities and equity</b>		<b>21.277.333</b>	<b>11.673.018</b>
Profit appropriation	11		
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## Statement of Changes in Equity

	Share capital TDKK	Retained earnings TDKK	Total TDKK
<b>2020</b>			
Equity at 1 January	70.065	6.305.897	6.375.962
Net profit for the year	0	6.084.512	6.084.512
<b>Equity at 31 December</b>	<b>70.065</b>	<b>12.390.409</b>	<b>12.460.474</b>
<b>2019</b>			
Equity 1 January	70.065	5.440.889	5.510.954
Net effect from merger and acquisition according to the pooling of interests method	0	860.755	860.755
Adjusted equity at 1 January	70.065	6.301.644	6.371.709
Net profit for the year	0	4.253	4.253
<b>Equity at 31 December</b>	<b>70.065</b>	<b>6.305.897</b>	<b>6.375.962</b>

## Notes to the Financial Statements

	2020	2019
	TDKK	TDKK
<b>1 Staff expenses</b>		
Wages and salaries	55.992	73.591
Pensions	3.913	4.296
Other social security expenses	459	1.440
	<b>60.364</b>	<b>79.327</b>
<b>Including remuneration to the Executive Board and Board of Directors</b>	<b>55</b>	<b>1.461</b>
<b>Average number of employees</b>	<b>72</b>	<b>77</b>
<b>2 Income from investments in subsidiaries</b>		
Impairment	-3.912.119	0
Dividend	10.005.259	0
	<b>6.093.140</b>	<b>0</b>
<b>3 Financial income</b>		
Interest received from group enterprises	10	0
Other financial income	14.054	31
	<b>14.064</b>	<b>31</b>
<b>4 Financial expenses</b>		
Interest paid to group enterprises	23.583	25
Other financial expenses	4.868	825
	<b>28.451</b>	<b>850</b>

## Notes to the Financial Statements

	2020 TDKK	2019 TDKK
<b>5 Tax on profit for the year</b>		
Current tax for the year	0	6.297
Deferred tax for the year	470	-130
Adjustment of tax concerning previous years	3.000	0
	<b>3.470</b>	<b>6.167</b>
<b>6 Investments in subsidiaries</b>		
Cost at 1 January	10.298.790	4.877.360
Net effect from merger and acquisition	0	5.421.430
Additions for the year	14.509.923	0
Cost at 31 December	<b>24.808.713</b>	<b>10.298.790</b>
Value adjustments at 1 January	0	0
Revaluations for the year, net	-3.912.119	0
Value adjustments at 31 December	-3.912.119	0
<b>Carrying amount at 31 December</b>	<b>20.896.594</b>	<b>10.298.790</b>

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 (2019)	Spain	100%	1.319.850	120.336
LM Wind Power A/S (2019)	Denmark	100%	1.456.699	186.931
LM WP Patent Holding A/S (*) (2020)	Denmark	100%	762.538	8.964
LM Wind Power International Technology II ApS (*) (2020)	Denmark	100%	184.596	11.726
LM Wind Power Blades (Qinhuangdao) Co., Ltd. (*) (2019)	China	100%	387.793	109.409
LM Wind Power Blades (Tianjin) Co., Ltd. (*) (2018)	China	100%	141.986	-126.215
LM Wind Power Blades Technology (Tianjin) Co., Ltd. (*) (2019)	China	100%	92.255	50.775
LM (China) Investment Company Ltd. (*) (2019)	China	100%	1.011.478	201.978
LM Wind Power Blades (Jiangsu) Co., Ltd. (*) (2019)	China	100%	169.787	30.794
LM Wind Power Services (Deutschland) GmbH (*) (2020)	Germany	100%	0	-1.218



## 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 (India) Private Ltd. (*) (2020)	India	100%	290.267	76.766
LM Wind Power R&D (Holland) B.V.(*) (2020)	Netherlands	100%	-70.973	3.771
LM Wind Power (Schiphol) B.V. (2020)	Netherlands	100%	27.359	2.779
LM Wind Power Blades (France) S.A (*) (2019)	France	100%	59.660	27.442
LM Wind Power do Brasil S.A. (*) (2018)	Brazil	100%	103.718	21.476
LM Wind Power Blades (Poland) Sp. z.o.o. (*) (2019)	Poland	100%	522.696	55.703
LM Wind Power Turkey San. VE TIC.A.S. (*) (2019)	Turkey	2%	255.304	70.742
LM Wind Power Blades (Canada) Inc. (*) (**)	Canada	100%	0	0
4305825 Canada Inc.(*) (**)	Canada	100%	0	0
LM Wind Power Blades (Fujian) Co., Ltd. (*) (**)	China	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 28.774 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.

### 8 Deferred tax asset

	2020 TDKK	2019 TDKK
Deferred tax asset at 1 January	2.298	2.168
Amounts recognised in the income statement for the year	-470	130
<b>Deferred tax asset at 31 December</b>	<b>1.828</b>	<b>2.298</b>

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

# Notes to the Financial Statements

## 9 Prepayments

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

	<u>2020</u> TDKK	<u>2019</u> TDKK
<b>10 Other provisions</b>		
Other provisions	17.829	13.870
	<u><b>17.829</b></u>	<u><b>13.870</b></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.

## 11 Profit appropriation

Retained earnings	6.084.512	4.253
	<u><b>6.084.512</b></u>	<u><b>4.253</b></u>

## 12 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 2020, the Company had issued guarantees towards credit institutions for LM Wind Power A/S for a total of DKK 1 million.

As at 31 December 2020, the Company had issued guarantees towards customers and trading partners for subsidiaries for a total of DKK 67 million.

# Notes to the Financial Statements

## 13 Related parties

### Basis

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#### Controlling interest

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

#### Transactions

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

Administration fee invoiced to group enterprises amounts to TDKK 193.848.

Administration fee invoiced from group enterprises amounts to TDKK 113.377.

Please refer to note 1 for reference to remuneration to Management, 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.

For reference to dividends received from subsidiaries, refer to note 2.

The addition to investments in subsidiaries shown in note 6 is an acquisition of shares from a subsidiary in the Group.

#### Consolidated Financial Statements

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

<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](http://www.ge.com).

# Notes to the Financial Statements

## 14 Accounting Policies

The Annual Report of LM Group Holding A/S for 2020 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 2020 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**

#### ***Uniting of interests***

Intragroup business combinations are accounted for under the uniting-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 uniting-of-interests method is applied as if the two enterprises had always been combined

# Notes to the Financial Statements

## 14 Accounting Policies (continued)

by 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 operating income

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

### Other external expenses

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

### Gross profit

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.

# Notes to the Financial Statements

## 14 Accounting Policies (continued)

### Staff expenses

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

### 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 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.

### Deferred tax assets

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 elimi-

# Notes to the Financial Statements

## 14 Accounting Policies (continued)

nation 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.

### Prepayments

Prepayments comprise prepaid expenses concerning insurance premiums and tuition fees.

### 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.

### Current tax liabilities

Current tax 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	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$