

# Phoenix International A/S

Industrivej Vest 11, 6600 Vejen

CVR no. 26 07 87 17

## Annual report 2021

Approved at the Company's annual general meeting on 24 June 2022

Chair of the meeting:

.....  
Iben Lindhardt Olsson

The following is a translation of an original Danish document. The original Danish document is the governing document for all purposes, and in case of any discrepancy, the Danish wording will be applicable.

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## Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Phoenix International 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 of the Company at 31 December 2021 and of the results of the Company's operations for the financial year 1 January - 31 December 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 approved at the annual general meeting.

Vejen, 17 June 2022  
Executive Board:

.....  
René Koch

Board of Directors:

.....  
Thomas Rask Jensen  
Chair

.....  
On behalf of Hamzeh  
Ilkhanizadeh,  
Iben Lindhardt Olsson

.....  
Tony Hansen

## Independent auditor's report

To the shareholders of Phoenix International A/S

### Opinion

We have audited the financial statements of Phoenix International A/S for the financial year 1 January - 31 December 2021, which comprise 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 financial position of the Company at 31 December 2021 and of the results of the Company's operations for the financial year 1 January - 31 December 2021 in accordance with the Danish Financial Statements Act.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

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

### Management's responsibilities for the financial statements

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

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

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

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and 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 the 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 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 note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

### Statement on 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 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.

Kolding, 17 June 2022  
EY Godkendt Revisionspartnerselskab  
CVR no. 30 70 02 28

Claus E. Andreasen  
State Authorised Public Accountant  
mne16652

## Management's review

### Company details

Name	Phoenix International A/S
Address, Postal code, City	Industrivej Vest 11, 6600 Vejen
CVR no.	26 07 87 17
Established	29 May 2001
Registered office	Vejen
Financial year	1 January - 31 December
Website	<a href="http://www.phoenixint.dk">www.phoenixint.dk</a>
Telephone	+45 76 96 34 00
Board of Directors	Thomas Rask Jensen, Chair On behalf of Hamzeh Ilkhanizadeh, Iben Lindhardt Olsson Tony Hansen
Executive Board	René Koch
Auditors	EY Godkendt Revisionspartnerselskab Trindholmegade 4, 2. sal, 6000 Kolding, Denmark

## Management's review

### Business review

The Company was established on 1 January 2001 and was previously a part of A/S Phoenix Contractors (established in 1907), where the activities primarily were carried out under the secondary name Phoenix Pipe Protectors A/S.

Phoenix International A/S is a contracting, industrial and trade company with production and delivery of coating materials for protection against corrosion of oil-, gas- and water pipes and road and roofing materials as core business.

Since 1907, the core business in Phoenix International A/S, its group entities and activities world-wide has been based on bitumen products, which originate from oil refining. An example of products is two-component polyurethane modified bitumen ("2K" material). In recent years, the product palette has been extended with the product FBE (Fusion Bonded Epoxy). FBE and 2-K are both produced in our own factory in Vejlen. The FBE products are sold on the international market to the pipe coating industry. The 2K products are sold on the international market to e.g. high voltage cables and joint filling materials for constructions of concrete.

Since 1997, the Company has participated in a joint venture in South Africa together with SHELL, where the joint venture produces and sells modified bitumen to the road and pipe coating industry.

The fully owned subsidiary in Malaysia produces and sells primer, enamel and wrap to the pipe coating industry. In addition to that there is trading of bitumen to the marketes in Far East.

The Company's primary market areas are Africa as well as the Middle and Far East.

In 2021 the company wined up the Danish subsidiaries Phoenix Coatings & Tubulars ApS and Phoenix Iraqi Partnerships ApS. Both companies had never had any activity.

### Recognition and measurement uncertainties

The Company has according to note 7 17% shares in the listed company Varziran Co., Iran for the amount of DKK 10,067 thousand. In May 2018 the US sanctions against Iran has been increased and the outbreak of Covid 19 in 2020 can both effect Varziran's future earnings and equity and thus effect the book value of the shares in Varziran Co. Iran of DKK 10,067 thousand. As a result there are some uncertainty regarding the value of the shares in Varziran Co.

Looking at the dividend payed by Varziran Co. in 2021, the management are convinced that the investment in Varziran Co. as a minimum has a value of DKK 10,067 thousand corresponding to the market value. However due to the international sanctions against Iran the Covid 19 situation, the raw material situation and the logistic challenges, there could be a uncertainty regarding the value of the shares in Varziran Co.

### Financial review

The income statement for 2021 shows a profit of DKK 563 thousand against a profit of DKK 735 thousand last year, and the balance sheet at 31 December 2021 shows equity of DKK 38,978 thousand. The results of operation are in the given circumstances considered satisfactory.

## Management's review

The result for the year was negatively affected by the unrest and consequent declining activity in the Middle East, which is the main sales area for the company's FBE products. In addition, activity has been negatively impacted by the Corona situation, the raw material situation and the logistic challenges.

However, the cost reductions made in 2020, combined with a fair amount of FBE orders, and very good 2K activity during 2021, has led to an acceptable result in 2021 at the level of expectations.

The company in Malaysia has made a loss, thus contributing negatively to the result. This is primarily due to the fact that the expected pipe coating projects have been postponed due to Corona.

The 2K market developed very positive, due to an increase in construction of high voltage electrical infrastructure, and thus contributed more than expected to the result.

The South African joint venture contributed positively, and thus as expected to the result.

Given the above mentioned declining activity in the Middle East, the increase in production capacity established in 2017/2018 was not fully utilized in 2021.

Phoenix International A/S, which was certified to ISO 9001 in 2010, has been recertified in 2021 without remarks.

### Knowledge resources

The Company is not dependent on any particular knowledge resources other than what the industry requires.

### Financial risks and use of financial instruments

#### Country risk

The Company has investments in South Africa, Malaysia and Iran as well as sales and receivables to some of these countries among others. Consequently the Company is influenced by the political and economical development in said countries and especially Iran due to the international sanctions.

#### Price risk

The Company's use of oil-based products and the significant price increases in the market pose a special risk on the volatile oil market, as price increases cannot always fully be included in the price of the finished products to the end user.

#### Currency risk

The Company has customers world-wide. Sales are primarily invoiced in DKK and EUR.

In case of special customer relationships an exception may be made. This implies that the results may be affected by the development in exchange rates and interest rates of other currencies. From a risk and cost point of view, the Company evaluates whether these risks are to be hedged; such evaluation is made per order. Often however, the risk is limited as matching purchase and sales orders are made in the same currency, primarily in EUR.

#### Credit risk

As of 2013 and onwards, the Company has hedged the credit risk on trade receivables by engaging only in orders covered by a Letter of Credit to the extent possible.

#### Interest rate risk

As the interest on the Company's interest-bearing debt is fixed through agreements, moderate changes in the interest level will not have any major impact on earnings.



## Management's review

### Research and development activities

The Company has own development activities.

On a daily basis the development activities mainly consist of product improvement and less resource demanding coating materials and systems both in terms of the development of new products as well as custom designed products.

In a future perspective the Companies development activities are focused on developing new products and systems that contributes to the green agenda.

### Events after the balance sheet date

Except from subsequent no events have after the end of the financial year occurred, that could have a significant impact on the financial status as of December 31, 2021.

The world is still affected by Covid 19, which is expected to have negative consequences for the company and its affiliated and associated companies. The situation is uncertain, but an updated forecast has been prepared containing cost savings and measures to ensure an improved performance and working capital etc. in the company.

### Outlook

Activity and revenue are generally expected in 2022 at a similar, or slightly higher level than in 2021, with a positive result at a similar or slightly higher level than 2021. However, the expectations for 2022 are, due to Corona and the Russian Invasion in Ukraine, subject to some uncertainty.

The uncertainty about the lack of raw material supply, the price development of raw materials, the increase in logistic costs and the exchange rate development, is reduced/secured through delivery agreements, exchange rate hedges, opening of letters of credit for sales, as well as purchases and sales in the same currency.

In Malaysia and the Far East, the local presence with its own production facility is expected to have a positive impact on business opportunities. The launch of previously deferred projects has already started in a smaller scale late 2021 and is expected to continue in a larger scale in 2022. A better result than in 2021 is therefor expected. However, the expectations for 2022 are uncertain, due to the well known uncertainties from 2021.

In South Africa, a similar activity is expected in the market for pipe coating due to start up of previously postponed projects, while the road market is expected to be on a par with 2021. A similar result, or slightly lower, is expected than in 2021. However, due to Corona and the time of realization of the pipe coating projects, expectations are somewhat uncertain.

## Financial statements 1 January - 31 December

### Income statement

Note	DKK'000	2021	2020
	<b>Gross profit</b>	12,110	15,619
3	Staff costs	-5,672	-6,531
6	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-3,822	-4,279
	<b>Profit before net financials</b>	2,616	4,809
	Income from investments in group enterprises	-2,320	-2,913
	Income from investments in associates	743	824
4	Financial income	953	682
	Financial expenses	-823	-2,123
	<b>Profit before tax</b>	1,169	1,279
5	Tax for the year	-606	-544
	<b>Profit for the year</b>	563	735
	<b>Recommended appropriation of profit</b>		
	Retained earnings	563	735
		563	735

## Financial statements 1 January - 31 December

### Balance sheet

Note	DKK'000	2021	2020
	<b>ASSETS</b>		
	<b>Fixed assets</b>		
6	<b>Property, plant and equipment</b>		
	Land and buildings	18,812	19,631
	Plant and machinery	17,828	20,574
	Fixtures and fittings, other plant and equipment	235	294
		<u>36,875</u>	<u>40,499</u>
7	<b>Investments</b>		
	Investments in group enterprises, net asset value	0	789
	Investments in associates, net asset value	7,111	6,410
	Other securities and investments	10,067	10,067
	Dividend receivable from associates	646	646
		<u>17,824</u>	<u>17,912</u>
	<b>Total fixed assets</b>	<u>54,699</u>	<u>58,411</u>
	<b>Non-fixed assets</b>		
	<b>Inventories</b>		
	Raw materials and consumables	8,359	12,325
	Finished goods and goods for resale	608	410
		<u>8,967</u>	<u>12,735</u>
	<b>Receivables</b>		
	Trade receivables	19,781	14,708
	Receivables from group enterprises	8,323	9,933
	Other receivables	102	245
	Prepayments	190	104
		<u>28,396</u>	<u>24,990</u>
	<b>Cash</b>	<u>1,880</u>	<u>8,756</u>
	<b>Total non-fixed assets</b>	<u>39,243</u>	<u>46,481</u>
	<b>TOTAL ASSETS</b>	<u><u>93,942</u></u>	<u><u>104,892</u></u>

## Financial statements 1 January - 31 December

### Balance sheet

Note	DKK'000	2021	2020
	<b>EQUITY AND LIABILITIES</b>		
	<b>Equity</b>		
	Share capital	18,500	18,500
	Retained earnings	20,478	20,001
	<b>Total equity</b>	<b>38,978</b>	<b>38,501</b>
	<b>Provisions</b>		
	Deferred tax	1,150	544
9	Other provisions	600	0
	<b>Total provisions</b>	<b>1,750</b>	<b>544</b>
	<b>Liabilities other than provisions</b>		
8	<b>Non-current liabilities other than provisions</b>		
	Mortgage debt	6,980	7,397
	Bank debt	4,472	9,317
	Payables to shareholders and Management	24,327	24,330
	Other payables	0	252
		<b>35,779</b>	<b>41,296</b>
	<b>Current liabilities other than provisions</b>		
8	Short-term part of long-term liabilities other than provisions	2,416	4,612
	Bank debt	2,827	0
	Trade payables	4,245	7,976
	Payables to shareholders and management	7,557	11,031
	Other payables	390	932
		<b>17,435</b>	<b>24,551</b>
	<b>Total liabilities other than provisions</b>	<b>53,214</b>	<b>65,847</b>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>93,942</b>	<b>104,892</b>

- 1 Accounting policies
- 2 Recognition and measurement uncertainties
- 3 Staff costs
- 10 Contractual obligations and contingencies, etc.
- 11 Collateral
- 12 Related parties

## Financial statements 1 January - 31 December

### Statement of changes in equity

DKK'000	<u>Share capital</u>	<u>Retained earnings</u>	<u>Total</u>
Equity at 1 January 2020	18,500	20,301	38,801
Transfer through appropriation of profit	0	735	735
Adjustment of investments through foreign exchange adjustments	0	-1,035	-1,035
<b>Equity at 1 January 2021</b>	<b>18,500</b>	<b>20,001</b>	<b>38,501</b>
Transfer through appropriation of profit	0	563	563
Adjustment of investments through foreign exchange adjustments	0	-86	-86
<b>Equity at 31 December 2021</b>	<b>18,500</b>	<b>20,478</b>	<b>38,978</b>

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies

The annual report of Phoenix International A/S for 2021 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

In accordance with section 110(1) of the Danish Financial Statements Act, the Company has not prepared consolidated financial statements.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

#### Reporting currency

The financial statements are presented in Danish kroner (DKK'000).

#### Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

#### *Foreign group entities*

Foreign subsidiaries and associates are considered separate entities. Items in such entities' income statements are translated at an average exchange rate for the month, and balance sheet items are translated at closing rates. Foreign exchange differences arising on translation of the opening equity of foreign subsidiaries to closing rates and on translation of the income statements from average exchange rates to closing rates are taken directly to equity.

#### Derivative financial instruments

On initial recognition, derivative financial instruments are recognised at cost in the balance sheet and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are presented as separate items in the balance sheet.

Fair value adjustments of derivative financial instruments designated and qualifying as hedging of future assets or liabilities are recognised as separate items in the balance sheet and in the hedging reserve under equity. If the forecast transaction results in the recognition of assets or liabilities, amounts previously recognised in equity are transferred to the cost of the asset or liability, respectively. If the forecast transaction results in income or expenses, amounts previously recognised in equity are transferred to the income statement in the period in which the hedged item affects the income statement.

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Income statement

###### Revenue

Income from the sale of goods for resale and finished goods is recognised in revenue when the most significant rewards and risks have been transferred to the buyer and provided the income can be measured reliably and payment is expected to be received. The date of the transfer of the most significant rewards and risks is based on standardised terms of delivery based on Incoterms® 2020.

Income from the rendering of services, which comprises consultancy services, is recognised as revenue as the services are rendered, implying that revenue corresponds to the market value of the services rendered in the year (production method).

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

###### Gross profit

The items revenue, cost of sales, other operating income and external expenses have been aggregated into one item in the income statement called gross profit in accordance with section 32 of the Danish Financial Statements Act.

###### Other operating income

Other operating income comprise items of a secondary nature relative to the Company's core activities, including gains on the sale of fixed assets.

###### Cost of sales

Cost of sales includes the cost of goods used in generating the year's revenue.

###### Other external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

###### Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

###### Depreciation

The item comprises depreciation of property, plant and equipment.

The cost net of the expected residual value for completed development projects and acquired IP rights is amortised over the expected useful life. Acquired IP rights include patents, rights and licences.

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

The basis of amortisation, which is calculated as cost less any residual value, is amortised on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Completed development projects	5 years
Acquired intangible assets	5 years

Depreciation is based on the residual value of the asset and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the acquisition date and are reassessed annually. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

In the case of changes in the depreciation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Buildings	30 years
Plant and machinery	5-15 years
Fixtures and fittings, other plant and equipment	3-5 years

Land is not depreciated.

#### Profit/loss from investments in

A proportionate share of the underlying entities' profit/loss after tax is recognised in the income statement according to the equity method. Shares of profit/loss after tax in subsidiaries and associates are presented as separate line items in the income statement. Full elimination of intra-group gains/losses is made for equity investments in subsidiaries. Only proportionate elimination of intra-group gains/losses is made for equity investments in associates.

The item also includes gains and losses from sales of shares in subsidiaries and associates.

#### Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts that relate to the financial reporting period. The items comprise interest income and expenses, e.g. from group entities and associates, declared dividends from other securities and investments, financial expenses relating to finance leases, realised and unrealised capital gains and losses relating to other securities and investments, exchange gains and losses and amortisation of financial assets and liabilities.

The item also includes dividend received from other securities and investments in so far as the dividend does not exceed the accumulated earnings in the subsidiary or the associate in the period of ownership.

#### Tax

The parent company is covered by the Danish rules on mandatory joint taxation of the Group's Danish subsidiaries. Subsidiaries are included in the joint taxation arrangement from the date at which they are included in the consolidated financial statements and up to the date when they are no longer consolidated.

The parent company acts as management company for the joint taxation arrangement and consequently settles all corporate income tax payments with the tax authorities.

On payment of joint taxation contributions, the Danish corporate income tax charge is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have been able to use the tax losses to reduce their own taxable income.



## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

Tax for the year, which comprises the current income tax charge, joint taxation contributions and deferred tax adjustments, including adjustments arising from changes in tax rates, is recognised in the income statement as regards the portion that relates to the profit/loss for the year and directly in equity as regards the portion that relates to entries directly in equity.

### Balance sheet

#### Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

As regards self-produced assets, the cost includes the cost of materials and labour, etc. directly relating to the production.

Gains or losses are calculated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses from the disposal of property, plant and equipment are recognised in the income statement as other operating income or other operating expenses.

#### Leases

On initial recognition, leases for assets that transfer substantially all the risks and rewards incident to the ownership to the Company (finance leases) are measured in the balance sheet at the lower of fair value and the present value of the future lease payments. In calculating the net present value, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor. Assets held under finance leases are subsequently accounted for in the same way as the Company's other assets.

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

Leases that do not transfer substantially all the risks and rewards incident to the ownership to the Company are classified as operating leases. Payments relating to operating leases and any other rent agreements are recognised in the income statement over the term of the lease. The Company's aggregate liabilities relating to operating leases and other rent agreements are disclosed under "Contingent liabilities".

#### Investments in subsidiaries and associates

Equity investments in subsidiaries and associates are measured according to the equity method.

On initial recognition, equity investments in subsidiaries and associates are measured at cost, i.e. plus transaction costs. The cost is allocated in accordance with the acquisition method; see the accounting policies regarding business combinations.

The cost is adjusted by shares of profit/loss after tax calculated in accordance with the Group's accounting policies less or plus unrealised intra-group gains/losses.

Identified increases in value and goodwill, if any, compared to the underlying entity's net asset value are amortised in accordance with the accounting policies for the assets and liabilities to which they can be attributed. Negative goodwill is recognised in the income statement.

Dividend received is deduced from the carrying amount.

Equity investments in subsidiaries and associates measured at net asset value are subject to impairment test requirements if there is any indication of impairment.

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Other securities and investments

Other securities and investments are measured at fair value. The fair value is made up at the market value at the balance sheet date if the securities are listed and at a value made up using generally recognised valuation principles if the securities are unlisted.

When conditions for measuring at fair value is not present the securities are measured at cost.

##### Impairment of fixed assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries and associates is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

##### Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value. The net realisable value of inventories is calculated as the sales amount less costs of completion and expenses required to effect the sale and is determined taking into account marketability, obsolescence and development in the expected selling price.

The cost of raw materials and consumables comprises the cost of acquisition plus delivery costs.

Goods for resale are measured at cost, which comprises the cost of acquisition plus delivery costs as well as other expenses directly attributable to the acquisition.

##### Receivables

Receivables are measured at amortised cost.

The Company has chosen IAS 39 as interpretation for impairment of financial receivables.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

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

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

##### Equity

###### *Reserve for net revaluation according to the equity method*

The net revaluation reserve according to the equity method includes net revaluations of investments in subsidiaries and associates relative to cost. The reserve can be eliminated in case of losses, realisation of investments or a change in accounting estimates. The reserve cannot be recognised at a negative amount.

###### *Proposed dividends*

Dividend proposed for the year is recognised as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

##### Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan. Financial liabilities also include the capitalised residual lease liability in respect of finance leases.

Other liabilities are measured at net realisable value.

#### 2 Recognition and measurement uncertainties

The Company has according to note 7 17% shares in the listed company Varziran Co., Iran for the amount of DKK 10,067 thousand. In May 2018 the US sanctions against Iran has been increased and the outbreak of Covid 19 in 2020 can both effect Varziran's future earnings and equity and thus effect the book value of the shares in Varziran Co. Iran of DKK 10,067 thousand. As a result there are some uncertainty regarding the value of the shares in Varziran Co.

Looking at the dividend paid by Varziran Co. in 2021, the management are convinced that the investment in Varziran Co. as a minimum has a value of DKK 10,067 thousand corresponding to the market value. However due to the international sanctions against Iran the Covid 19 situation, the raw material situation and the logistic challenges, there could be a uncertainty regarding the value of the shares in Varziran Co.

## Financial statements 1 January - 31 December

### Notes to the financial statements

DKK'000	2021	2020		
<b>3 Staff costs</b>				
Wages/salaries	5,261	6,045		
Pensions	351	423		
Other social security costs	60	63		
	<u>5,672</u>	<u>6,531</u>		
Average number of full-time employees	<u>7</u>	<u>9</u>		
<b>4 Financial income</b>				
Interest receivable, group entities	170	179		
Other financial income	783	503		
	<u>953</u>	<u>682</u>		
<b>5 Tax for the year</b>				
Deferred tax adjustments in the year	606	544		
	<u>606</u>	<u>544</u>		
<b>6 Property, plant and equipment</b>				
DKK'000	Land and buildings	Plant and machinery	Fixtures and fittings, other plant and equipment	Total
Cost at 1 January 2021	24,479	49,072	2,445	75,996
Additions	54	30	177	261
Disposals	0	0	-158	-158
Cost at 31 December 2021	<u>24,533</u>	<u>49,102</u>	<u>2,464</u>	<u>76,099</u>
Impairment losses and depreciation at 1 January 2021	4,848	28,498	2,151	35,497
Depreciation	873	2,776	173	3,822
Reversal of accumulated depreciation and impairment of assets disposed	0	0	-95	-95
Impairment losses and depreciation at 31 December 2021	<u>5,721</u>	<u>31,274</u>	<u>2,229</u>	<u>39,224</u>
<b>Carrying amount at 31 December 2021</b>	<u>18,812</u>	<u>17,828</u>	<u>235</u>	<u>36,875</u>

Note 11 provides more details on security for loans, etc. as regards property, plant and equipment.

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 7 Investments

DKK'000	Investments in group enterprises, net asset value	Investments in associates, net asset value	Other securities and investments	Dividend receivable from associates	Total
Cost at 1 January 2021	8,872	2,111	10,067	0	21,050
Disposals	-50	0	0	0	-50
Cost at 31 December 2021	8,822	2,111	10,067	0	21,000
Value adjustments at 1 January 2021	-8,083	4,299	0	646	-3,138
Foreign exchange adjustments	-45	-42	0	0	-87
Profit/loss for the year	-2,319	743	0	0	-1,576
Value adjustments for the year	78	0	0	0	78
Reversal of prior year revaluations	-19	0	0	0	-19
Transferred to reduce receivable	1,566	0	0	0	1,566
Value adjustments at 31 December 2021	-8,822	5,000	0	646	-3,176
Carrying amount at 31 December 2021	0	7,111	10,067	646	17,824

Name	Legal form	Domicile	Interest
<b>Subsidiaries</b>			
Phoenix International Malaysia	Sdn. Bhd. (limited company)	Malaysia	100.00%
<b>Associates</b>			
Bituguard Southern Africa	Ltd. (limited company)	South Africa	50.00%

Other investments comprises of an ownership of 17% in the listed company Varziran Co., Iran. The shares have a very low negotiability on the stock exchange in Teheran. Like prior year the investment is measured at cost. The latest published audited financial statements for 2020/21 of Varziran Co., Iran shows a profit of DKK 25,288 thousand (2019/20: 9,284 thousand) and capital and reserves at 20 March 2021 of DKK 55,791 thousand (20 March 2020: DKK 31,037 thousand). Phoenix International A/S' share of the carrying amount of the capital and reserves amounts to DKK 9,984 thousand. In 2020 the Company has received dividend of DKK 775 thousand (2020: DKK 503 thousand). Varziran Co., Iran expects for the years 2021/22 and 2022/23 improved profits compared with the results for 2020/21.

In May 2018 the US sanctions against Iran has been increased and the outbreak of Covid 19 in 2020 can effect Varziran's future earnings and equity and thus effect the book value of the shares in Varziran Co. Iran of DKK 10,067 thousand. As a result there are some uncertainty regarding the value the shares in Varziran Co.

Based on the above mentioned facts management are convinced that the investment in Varziran Co. as a minimum has a value of DKK 10,067 thousand corresponding to the market value, however due to the international sanctions against Iran and the outbreak, there could be an uncertainty regarding the value of Varziran Co.

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 8 Non-current liabilities other than provisions

Of the long-term liabilities, DKK 5,247 thousand falls due for payment after more than 5 years after the balance sheet date.

#### 9 Other provisions

Other provisions relates to a loss making contract.

#### 10 Contractual obligations and contingencies, etc.

##### Contingent liabilities

Guarantee commitments consist of a guarantee provided in respect of bank commitments in a sister company.

As management company, the Company is jointly taxed with other Danish group entities and is jointly and severally with other jointly taxed group entities for payment of income taxes as well as withholding taxes on interest, royalties and dividends.

##### Other financial obligations

The Company has liabilities under operating leases for production and IT equipment, totalling DKK 61 thousand, with remaining contract terms of up to 12 months.

#### 11 Collateral

Land and buildings with a carrying amount of DKK 18,812 thousand have been provided as collateral for mortgage debt of DKK 7,397 thousand.

As collateral for bank debt of DKK 7,429 the following are issued:

- Mortgage registered to the owner of DKK 2,750 thousand secured on operating equipment with a carrying amount of DKK 0.
- Mortgage registered to the owner of DKK 6,000 thousand secured on operating equipment with a carrying amount of DKK 6,038 thousand.
- Mortgage registered to the owner of DKK 9,000 thousand secured on assets with a carrying amount of DKK 46,210 thousand.
- Mortgage registered to the owner of DKK 2,200 thousand secured on land and buildings with a carrying amount of DKK 18,812 thousand.

#### 12 Related parties

##### Ownership

The following shareholders are registered in the Company's register of shareholders as holding minimum 5% of the votes or minimum 5% of the share capital:

Name	Domicile
Hamzeh Ilkhanizadehc/o Phoenix Middle East	Office No. LB 190909 Jebel Ali P.O. Box 262302 Dubai Dubai UAE

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## René Koch

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## Tony Hansen

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## Thomas Rask Jensen

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## Iben Lindhardt Olsson

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Mit  

## Claus E. Andreasen

### Statsautoriseret revisor

På vegne af: EY Godkendt Revisionspartnerselskab

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