

**MENETA ADVANCED SHIMS TECHNOLOGY A/S**  
**STRANDHOLTVEJ 49, STIGE, 5270 ODENSE N**  
**ANNUAL REPORT**  
**1 JANUARY - 31 DECEMBER 2020**

The Annual Report has been presented and  
adopted at the Company's Annual General  
Meeting on 21 April 2021

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George Michael Ruhl

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

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**COMPANY DETAILS**

<b>Company</b>	Meneta Advanced Shims Technology A/S Strandholtvej 49 Stige 5270 Odense N  CVR No.: 26 31 40 89 Established: 1 November 2001 Registered Office: Odense Financial Year: 1 January - 31 December
<b>Board of Directors</b>	George Michael Ruhl, chairman Liam James Booth Kim Walther Østergaard Sebastian Despineux
<b>Executive Board</b>	Kim Walther Østergaard
<b>Auditor</b>	BDO Statsautoriseret revisionsaktieselskab Havneholmen 29 1561 Copenhagen V
<b>Bank</b>	Danske Bank Albani Torv 2-3 5000 Odense C

## BOARD OF DIRECTORS STATEMENT AND MANAGEMENT'S STATEMENT

Today the Board of Directors and Executive Board have discussed and approved the Annual Report of Meneta Advanced Shims Technology A/S for the financial year 1 January - 31 December 2020.

The Annual Report is presented in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the Company's 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.

The Management Commentary includes in our opinion a fair presentation of the matters dealt with in the Commentary.

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

Odense, 23 March 2021

Executive Board

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Kim Walther Østergaard

Board of Directors

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George Michael Ruhl  
Chairman

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Liam James Booth

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Kim Walther Østergaard

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Sebastian Despineux

## INDEPENDENT AUDITOR'S REPORT

### *To the Shareholders of Meneta Advanced Shims Technology A/S*

#### **Opinion**

We have audited the Financial Statements of Meneta Advanced Shims Technology A/S for the financial year 1 January - 31 December 2020, which comprise income statement, Balance Sheet, statement of changes in equity, notes and a summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Financial Statements give a true and fair view of the assets, liabilities and financial position of the Company at 31 December 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 requirements. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

#### ***Management's Responsibilities for the Financial Statements***

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

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

#### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

## INDEPENDENT AUDITOR'S REPORT

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

### ***Statement on Management's Review***

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

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

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

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

Copenhagen, 23 March 2021

BDO Statsautoriseret revisionsaktieselskab  
CVR no. 20 22 26 70

Ole C. K. Nielsen  
State Authorised Public Accountant  
MNE no. mne23299

## FINANCIAL HIGHLIGHTS

	2020 DKK '000	2019 DKK '000	2018 DKK '000	2017 DKK '000	2016 DKK '000
Net revenue.....	267.493	287.495	295.459	260.114	265.103
Gross profit/loss.....	96.413	95.785	100.377	90.795	88.298
Operating profit/loss of main activities...	17.771	19.436	21.787	22.821	20.672
Financial income and expenses, net.....	-792	-150	169	-593	-604
Profit/loss for the year.....	13.543	15.035	17.103	17.391	15.686
<b>Balance sheet</b>					
Total assets.....	232.444	244.291	208.140	201.979	171.206
Equity.....	157.615	144.072	130.655	113.551	96.160
Invested capital.....	163.397	148.226	131.649	135.119	117.194
Investment in property, plant and equipment.....	6.918	14.077	19.617	13.896	7.429
<b>Key ratios</b>					
Operating margin.....	6.6	6.8	7.4	8.8	7.8
Return on invested capital.....	11.4	13.9	16.3	18.1	19.1
Equity ratio.....	67.8	59.0	62.8	56.2	56.2
Return on equity.....	9.0	10.9	14.0	16.6	17.8
Index for net revenue.....	101	108	111	98	100
Net revenue per employee.....	1.858	1.904	1.957	1.871	1.841

The comparative figures have not been adjusted for the too early recognition of revenue in relation to the terms of delivery for 2016-2017 with respect to recognition of Net revenue and Cost of sales and Inventories and Trade receivables in the balance sheet.

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

<i>Invested capital:</i>	Intangible fixed assets (ex goodwill) + tangible assets + inventories + receivables + other working current assets - trade payables - other provisions - other long and short term working liabilities
<i>Operating margin:</i>	$\frac{\text{Operating profit/loss} \times 100}{\text{Net revenue}}$
<i>Return on invested capital:</i>	$\frac{\text{Profit/loss on ordinary activities} \times 100}{\text{Average invested capital}}$
<i>Equity ratio:</i>	$\frac{\text{Equity ex. minorities, at year end} \times 100}{\text{Total equity and liabilities, at year end}}$
<i>Return on equity:</i>	$\frac{\text{Profit/loss after tax} \times 100}{\text{Average equity}}$
<i>Net revenue per employee DKK ('000)</i>	$\frac{\text{Net revenue DKK('000)}}{\text{Average number of full-time employees}}$

## MANAGEMENT COMMENTARY

### ***Principal activities***

Meneta Advanced Shims Technology A/S develops, manufactures, and sells noise-damping shims for disc brake pads used in the automotive industry.

Meneta Holding A/S holds 52% of the share capital whereas a large manufacturer of friction material, TMD Friction Holdings (UK) Limited holds the remaining shares.

### ***Development in activities and financial and economic position***

The company was unable to meet the expected revenue level, but came close to meeting the budgeted profit, which can be mainly attributed to the global covid-19 pandemic, resulting in lock-downs and factories shutting down in the automotive supply chain, predominantly in quarter two.

Further, gross profit margins of the company were negatively affected by an increase in steel prices at the end of the year.

Accounts show a decrease in revenue by 7% to DKK 267.5m (DKK 287.5m).

The net result after tax declined by 10% to DKK 13.5m from DKK 15m.

The balance sheet total shows DKK 239.0m.

Throughout the year, the company increased its CAPEX by 6,9m, investing mainly in operational assets.

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

Whereas the operating profit declined by 8,2% to DKK 17.8m from DKK 19.4m, the result exceeded budgetary expectations.

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

No significant events have occurred after the end of the financial year.

### ***Financial risk***

A considerable part of the company's raw materials is dependent on the price of steel and oil. Raw materials, sales prices, assets, and liabilities are dependent on the development in a number of currencies. The currency exposure is continuously evaluated, and risk hedging takes place according to determined policies and rules.

### ***Environmental situation***

The company is aware of the potential environmental impact of the products and of the production process. Efforts are being made on a regular basis to reduce the effect.

### ***Knowledge resources***

The company has full IATF16949 certification.

### ***Research and development activities***

The means used for development activities have been recognised and booked as expenses.

### ***Future expectations***

The company has been successful in maintaining its market position and overall market share.

For the year 2021, we continue to focus on new product development and on cost base reductions to prepare the company for future challenges.

The COVID-19 pandemic is not expected to have any significant impact on the company's revenue level and profitability in 2021.

### ***The company's foreign branches***

The company has a branch in Koblenz, Germany.

**INCOME STATEMENT 1 JANUARY - 31 DECEMBER**

	<b>Note</b>	<b>2020</b> DKK '000	<b>2019</b> DKK '000
<b>NET REVENUE</b> .....		<b>267.493</b>	<b>287.495</b>
Cost of sales.....		-143.289	-157.301
Other operating income.....		5.381	115
Other external expenses.....		-33.172	-34.524
<b>GROSS PROFIT</b> .....		<b>96.413</b>	<b>95.785</b>
Staff costs.....	1	-70.226	-69.126
Depreciation, amortisation and impairment.....		-8.416	-7.223
<b>OPERATING PROFIT</b> .....		<b>17.771</b>	<b>19.436</b>
Other financial income.....	2	347	493
Other financial expenses.....	3	-1.139	-643
<b>PROFIT BEFORE TAX</b> .....		<b>16.979</b>	<b>19.286</b>
Tax on profit/loss for the year.....	4	-3.436	-4.251
<b>PROFIT FOR THE YEAR</b> .....	5	<b>13.543</b>	<b>15.035</b>

## BALANCE SHEET AT 31 DECEMBER

ASSETS	Note	2020 DKK '000	2019 DKK '000
Production plants and machinery.....		27.014	30.734
Other plants, machinery, tools and equipment.....		3.495	4.541
Leasehold improvements.....		842	985
Tangible fixed assets in progress and prepayment.....		15.592	11.979
<b>Property, plant and equipment.....</b>	<b>6</b>	<b>46.943</b>	<b>48.239</b>
Other securities.....		0	3.689
Rent deposit and other receivables.....		438	438
<b>Financial non-current assets.....</b>	<b>7</b>	<b>438</b>	<b>4.127</b>
<b>NON-CURRENT ASSETS.....</b>		<b>47.381</b>	<b>52.366</b>
Raw materials and consumables.....		13.419	12.253
Work in progress.....		1.368	10.050
Finished goods and goods for resale.....		43.306	37.651
<b>Inventories.....</b>		<b>58.093</b>	<b>59.954</b>
Trade receivables.....		36.713	43.109
Receivables from group enterprises.....		83.841	84.953
Other receivables.....		5.498	2.159
Prepayments and accrued income.....	<b>8</b>	887	814
<b>Receivables.....</b>		<b>126.939</b>	<b>131.035</b>
Other securities and equity investments.....		0	908
<b>Current investments.....</b>		<b>0</b>	<b>908</b>
Cash and cash equivalents.....		31	28
<b>CURRENT ASSETS.....</b>		<b>185.063</b>	<b>191.925</b>
<b>ASSETS.....</b>		<b>232.444</b>	<b>244.291</b>

# BALANCE SHEET AT 31 DECEMBER

<b>EQUITY AND LIABILITIES</b>	<b>Note</b>	<b>2020</b> DKK '000	<b>2019</b> DKK '000
Share capital.....	9	525	525
Retained profit.....		157.090	143.547
<b>EQUITY.....</b>		<b>157.615</b>	<b>144.072</b>
Provision for deferred tax.....	10	1.975	1.873
<b>PROVISIONS.....</b>		<b>1.975</b>	<b>1.873</b>
Lease liabilities.....		4.777	5.422
Other liabilities.....		6.235	2.256
<b>Non-current liabilities.....</b>	11	<b>11.012</b>	<b>7.678</b>
Bank debt.....		11.783	18.299
Lease liabilities.....		946	1.484
Trade payables.....		28.660	27.516
Payables to group enterprises.....		1.111	31.959
Corporation tax.....		2.157	97
Other liabilities.....		17.185	11.313
<b>Current liabilities.....</b>		<b>61.842</b>	<b>90.668</b>
<b>LIABILITIES.....</b>		<b>72.854</b>	<b>98.346</b>
<b>EQUITY AND LIABILITIES.....</b>		<b>232.444</b>	<b>244.291</b>
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# EQUITY

	Share capital	Retained profit	Total
Equity at 1 January 2020.....	525	143.547	144.072
Proposed profit allocation, Engelsk 5.....		13.543	13.543
<b>Equity at 31 December 2020.....</b>	<b>525</b>	<b>157.090</b>	<b>157.615</b>

## NOTES

	2020 DKK '000	2019 DKK '000	Note
<b>Staff costs</b>			<b>1</b>
Average number of employees	144	151	
Wages and salaries.....	63.609	62.509	
Pensions.....	5.289	5.140	
Social security costs.....	1.328	1.477	
	<b>70.226</b>	<b>69.126</b>	
Information about remuneration of Management is not included, see the exemption clause in the Danish Financial Statements Act, section 98b(3) no. 2.			
Remuneration is not paid to the Board of Directors. Remuneration of the Management is not disclosed because it consists of only one person.			
<b>Other financial income</b>			<b>2</b>
Group enterprises.....	346	327	
Other interest income.....	1	166	
	<b>347</b>	<b>493</b>	
<b>Other financial expenses</b>			<b>3</b>
Group enterprises.....	54	453	
Other interest expenses.....	1.085	190	
	<b>1.139</b>	<b>643</b>	
<b>Tax on profit/loss for the year</b>			<b>4</b>
Calculated tax on taxable income of the year.....	3.334	3.597	
Adjustment of deferred tax.....	102	654	
	<b>3.436</b>	<b>4.251</b>	
<b>Proposed distribution of profit</b>			<b>5</b>
Retained earnings.....	13.543	15.035	
	<b>13.543</b>	<b>15.035</b>	

## NOTES

			Note
<b>Property, plant and equipment</b>			<b>6</b>
	Production plants and machinery	Other plants, machinery, tools and equipment	
Cost at 1 January 2020.....	82.157	8.140	
Additions.....	7.243	495	
Disposals.....	-9.006	0	
<b>Cost at 31 December 2020.....</b>	<b>80.394</b>	<b>8.635</b>	
Depreciation and impairment losses at 1 January 2020.....	51.420	3.599	
Reversal of depreciation of assets disposed of.....	-4.679	0	
Depreciation for the year.....	6.639	1.541	
<b>Depreciation and impairment losses at 31 December 2020...</b>	<b>53.380</b>	<b>5.140</b>	
<b>Carrying amount at 31 December 2020.....</b>	<b>27.014</b>	<b>3.495</b>	
Finance lease assets.....	7.390		
	Leasehold improvements	Tangible fixed assets in progress and prepayment	
Cost at 1 January 2020.....	1.839	11.979	
Additions.....	92	7.841	
Disposals.....	0	-4.228	
<b>Cost at 31 December 2020.....</b>	<b>1.931</b>	<b>15.592</b>	
Depreciation and impairment losses at 1 January 2020.....	854		
Depreciation for the year.....	235		
<b>Depreciation and impairment losses at 31 December 2020...</b>	<b>1.089</b>		
<b>Carrying amount at 31 December 2020.....</b>	<b>842</b>	<b>15.592</b>	
<b>Financial non-current assets</b>			<b>7</b>
	Other securities	Rent deposit and other receivables	
Cost at 1 January 2020.....	0	297	
Additions.....	0	141	
<b>Cost at 31 December 2020.....</b>	<b>0</b>	<b>438</b>	
<b>Carrying amount at 31 December 2020.....</b>	<b>0</b>	<b>438</b>	
	2020 DKK '000	2019 DKK '000	
<b>Prepayments and accrued income</b>			<b>8</b>
Costs.....	887	814	
	<b>887</b>	<b>814</b>	

## NOTES

				Note
	2020	2019		
	DKK '000	DKK '000		
<b>Share capital</b>				<b>9</b>
Allocation of share capital:				
Share, 525 unit in the denomination of 1.000 DKK.....	525	525		
	<b>525</b>	<b>525</b>		
<b>Provision for deferred tax</b>				<b>10</b>
Provision for deferred tax comprises deferred tax on contract work in progress, inventory and intangible and tangible fixed assets.				
	2020	2019		
	DKK '000	DKK '000		
The amount breaks down as follows:				
Production plant and machinery.....	2.562	3.130		
Leasehold improvements.....	-41	10		
Inventory.....	760	252		
Trade receivables.....	-47	0		
Lease liabilities.....	-1.259	-1.519		
	<b>1.975</b>	<b>1.873</b>		
Deferred tax, beginning of year.....	1.873	1.676		
Deferred tax of the year, income statement.....	102	197		
<b>Provisions of the year.....</b>	<b>1.975</b>	<b>1.873</b>		
<b>Long-term liabilities</b>				<b>11</b>
	31/12 2020	Repayment	Debt	31/12 2019
	total liabilities	next year	outstanding	total liabilities
			after 5 years	
Lease liabilities.....	5.723	946	0	6.906
Other liabilities.....	6.235	0	0	2.256
	<b>11.958</b>	<b>946</b>	<b>0</b>	<b>9.162</b>

## NOTES

### Note

#### Contingencies etc.

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##### Contingent liabilities

The company has issued an unlimited guarantee concerning the engagement of Group's bank with the company's parent company, Meneta Holding A/S, and the company's sister company, Meneta Danmark ApS. The bank's credit limit with the Group is maximized to DKK ('000) 20,000.

##### Operating lease

The company has in addition to finance lease contracts entered into operating rent and lease agreements with an average annual lease payment of DKK ('000) 697.

The lease contracts have a residual term of 21 months, on average, and a total residual lease payment of DKK ('000) 1.124.

##### Lease agreement

The company has an annual lease agreement with Meneta Holding A/S. The annual lease is DKK ('000) 6,848 for 2021. The company has entered into a lease agreement with a residual period of 1 year with an annual lease of DKK ('000) 448.

##### Dispute with suppliers

The company has a few pending disputes with suppliers. The company's Management expects that the outcome of these disputes will be positive for the company and assesses that the risk of losses will be not exceed DKK ('000) 750.

##### Joint liabilities

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

Tax payable on the Group's joint taxable income is stated in the annual report of Meneta Holding A/S, which serves as management company for the joint taxation.

#### Charges and securities

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Production plant and machinery of a carrying amount of DKK ('000) 7,390 at 31 December 2020 is financed by a finance lease. The lease liabilities are stated at DKK ('000) 5,723 at 31 December 2020.

As security for bank debt of DKK ('000) 18,300 the company has issued a business charge of a nominal amount of DKK ('000) 15,000 on inventory and trade receivables of a total carrying amount of DKK ('000) 94,806 at 31 December 2020.

**NOTES****Note****Related parties****14**

The Company's related parties include:

TMD Friction Holdings (UK) Limited  
Meneta Danmark ApS  
Meneta Holding A/S  
Meneta Composite Materials ApS  
Meneta Automotive Component Pvt. Ltd.  
Meneta (Shanghai) Co.  
Ltd.Meneta Dalian Co.Ltd.

**Controlling interest**

Meneta Holding A/S.

**Other related parties having performed transactions with the company**

The company's related parties having a significant influence comprise subsidiaries and associates as well as the companies' Board of Directors, Board of Executives and executive officers and their relatives. Related parties include also companies in which the above mentioned group of persons has material interests.

**Transactions with related parties**

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

**Consolidated Financial Statements****15**

The company is included in the consolidated financial statements of Meneta Holding A/S, Strandholtvej 49, 5270 Odense N, CVR number 25673948.

## ACCOUNTING POLICIES

*The Annual Report of Meneta Advanced Shims Technology A/S for 2020 has been presented in accordance with the provisions of the Danish Financial Statements Act for enterprises in reporting class C, medium-size enterprises.*

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

### INCOME STATEMENT

#### **Net revenue**

*Net revenue from the sale of merchandise and finished goods is recognised in the Income Statement if supply and risk transfer to purchaser has taken place before the end of the year and if the income can be measured reliably and is expected to be received.*

*Net revenue is recognised exclusive of VAT and less duties and discounts related to the sale.*

#### **Other operating income**

*Other operating income includes items of a secondary nature in relation to the Group's and the Company's activities, including profit from sale of intangible and tangible fixed assets. In addition, profit from sale of intangible and tangible fixed assets as well as business interruption and conflict compensations are included. Compensations are recognised when the income is deemed to be realisable.*

#### **Cost of sales**

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

#### **Other external expenses**

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

*Payments related to operating lease expenses and other lease agreements are recognised in the income statement during the continuance of the contract. The company's total liability concerning operating and other lease agreements are stated under contingencies, etc.*

#### **Staff costs**

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

#### **Financial income and expenses**

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

#### **Tax**

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

### BALANCE SHEET

#### **Tangible fixed assets**

## ACCOUNTING POLICIES

*Production plant and machinery, other plant, fixtures and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.*

*The depreciation base is cost less estimated residual value after end of useful life.*

*The cost includes the acquisition price and costs incurred directly in connection with the acquisition until the time when the asset is ready to be used.*

*Straight-line depreciation is provided on the basis of an assessment of the expected useful lives of the assets and their residual value:*

	Useful life	Residual value
<i>Production plant and machinery.....</i>	<i>4-10 years</i>	<i>0 %</i>
<i>Other plants, machinery, tools and equipment.....</i>	<i>3-7 years</i>	<i>0-30 %</i>
<i>Leasehold improvements.....</i>	<i>3-8 years</i>	<i>0-30 %</i>

*Profit or loss on disposal of tangible fixed assets is stated as the difference between the sales price less selling costs and the carrying amount at the time of sale. Profit or loss is recognised in the income statement as other operating income or other operating expenses.*

### **Lease contracts**

*Lease contracts relating to tangible fixed assets where the company bears all material risks and benefits attached to the ownership (finance lease) are recognised as assets in the balance sheet. The assets are at the initial recognition measured at calculated cost equal to the lower of fair value and present value of the future lease payments. The internal interest rate of the lease contract is used as discounting factor or an approximate value when calculating the present value. Finance lease assets are depreciated similarly to the company's other tangible fixed assets.*

*for which the Company bears all material risks and benefits attached to the ownership (finance lease, see IAS 17) are recognised as assets in the Balance Sheet. The assets are at the initial recognition measured at the lower of cost stated at fair value and the and present value of the future lease payments. The internal interest rate of the lease contract, or alternatively the Company's loan interest, is used as discounting factor when calculating the present value. Finance lease assets are hereafter treated as the Group's and the Company's other similar tangible fixed assets.*

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

### **Fixed asset investments**

*Deposits include rental deposits which are recognised and measured at amortised cost. Deposits are not depreciated.*

### **Impairment of fixed assets**

*The carrying amount of intangible and tangible fixed assets together with investments, which are not measured at fair value, are valued on an annual basis for indications of impairment other than that reflected by amortisation and depreciation.*

*In the event of impairment indications, an impairment test is made for each asset or group of assets, respectively. If the net realisable value is lower than the carrying amount, it is written down to the lower value.*

*The recoverable amount is calculated at the higher of net selling price and capital value. The capital value is determined as the fair value of the expected net cash flows from the use of the asset or group of assets and the expected net cash flows from sale of the asset or group of assets after the end of its useful life.*

## ACCOUNTING POLICIES

### **Inventories**

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

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

*The cost of finished goods and work in progress includes cost of raw materials, consumables, direct payroll cost and direct and other indirect production costs include indirect materials and payroll and maintenance and depreciation of the machines, factory buildings and equipment used in the production process, the cost of factory administration and management and capitalised development costs relating to the products.*

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

### **Receivables**

*Receivables are measured at amortised cost which usually corresponds to nominal value. The value is reduced by impairment losses to meet expected losses.*

### **Accruals, assets**

*Accruals recognised as assets include costs incurred relating to the subsequent financial year.*

### **Securities**

*Other securities which are recognised and measured at amortised cost.*

### **Tax payable and deferred tax**

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

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

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

*Deferred tax assets, including the tax value of tax loss carry-forwards, are measured at the expected realisable value of the asset, either by set-off against tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.*

*Deferred tax is measured on the basis of the tax rules and tax rates that under the legislation in force on the balance sheet date will be applicable when the deferred tax is expected to crystallise as current tax. Any changes in the deferred tax resulting from changes in tax rates, are recognised in the income statement, except from items recognised directly in equity.*

### **Liabilities**

*Liabilities are measured at amortised cost equal to nominal value.*

## ACCOUNTING POLICIES

### **Foreign currency translation**

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

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

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

### **CASH FLOW STATEMENT**

*In accordance with section 86(4) of the Danish Financial Statements Act, the company has not prepared a cash flow statement because these cash flows are included in the cash flow statement of the group, see the consolidated financial statements of Meneta Holding A/S.*