
Ground Transportation Systems Denmark A/S

Industriparken 39, DK-2750 Ballerup

Annual Report for 1 January - 31 December 2022

CVR No 32 07 51 93

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
17/7 2023

Yves Michel Francis
Joannic
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 Ground Transportation Systems Denmark A/S for the financial year 1 January - 31 December 2022.

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 2022 of the Company and of the results of the Company operations for 2022.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

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

Ballerup, 17 July 2023

Executive Board

Alain René Bernard Nicolle
CEO

Board of Directors

Yves Michel Francis Joannic
Chairman

Tommy Ayouty

Alain René Bernard Nicolle

Franciscus Robertus Adrianus
Warnau

Independent Auditor's Report

To the Shareholder of Ground Transportation Systems Denmark A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2022 and of the results of the Company's operations for the financial year 1 January - 31 December 2022 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Ground Transportation Systems Denmark A/S for the financial year 1 January - 31 December 2022, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

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' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Financials Statements Act.

Based on the work we have performed, in our view, 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 in Management's Review.

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.

Independent Auditor's Report

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 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.
- 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.

Independent Auditor's Report

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.

Copenhagen, 17 July 2023

Mazars

Statsautoriseret Revisionspartnerselskab

CVR No 31 06 17 41

Dennis Herholdt Rasmussen

State Authorised Public Accountant

mne43413

Company Information

The Company

Ground Transportation Systems Denmark A/S
Industriparken 39
DK-2750 Ballerup

CVR No: 32 07 51 93
Financial period: 1 January - 31 December
Incorporated: 6 March 2009
Financial year: 14th financial year
Municipality of reg. office: Ballerup

Board of Directors

Yves Michel Francis Joannic, Chairman
Tommy Ayouty
Alain René Bernard Nicolle
Franciscus Robertus Adrianus Warnau

Executive Board

Alain René Bernard Nicolle

Auditors

Mazars
Statsautoriseret Revisionspartnerselskab
Midtermolen 1, 2. tv
DK-2100 København Ø

Financial Highlights

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

	2022 TDKK	2021 TDKK	2020 TDKK	2019 TDKK	2018 TDKK
Key figures					
Profit/loss					
Revenue	294.452	267.895	164.643	223.208	225.331
Gross profit/loss	103.361	88.532	72.347	81.849	65.043
Profit/loss before financial income and expenses	10.295	6.053	-16.668	6.064	-3.351
Net financials	71.965	43.980	70.938	28.454	181
Net profit/loss for the year	80.058	48.809	57.133	33.045	-2.539
Balance sheet					
Balance sheet total	839.361	842.961	667.278	638.047	562.992
Equity	211.089	131.031	82.222	25.089	-7.956
Investment in property, plant and equipment	342	1.299	424	58	595
Number of employees	92	92	87	88	80
Ratios					
Gross margin	35,1%	33,0%	43,9%	36,7%	28,9%
Profit margin	3,5%	2,3%	-10,1%	2,7%	-1,5%
Return on assets	1,2%	0,7%	-2,5%	1,0%	-0,6%
Solvency ratio	25,1%	15,5%	12,3%	3,9%	-1,4%
Return on equity	46,8%	45,8%	106,5%	385,7%	38,0%

As a result of material misstatements and changed IFRS16 practice, the key figures have been adjusted accordingly. Moreover, reference is made to note 19, in which the matter is described in further details.

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

Management's Review

Key activities

The Company's main activity consist of developing, exporting, importing, buying and providing services (comprising project management and maintenance) concerning all kind of electronics, comprising electrical and electronical systems, computer and communication systems, transportsignal and security solutions, machines, products and processes and parts for these, and related activities inclusive possession of shares in companies or other assets. The company participates in a consortium, set up between the Company & Strukton Rail Danmark A/S which in December 2011 was selected by Banedanmark A/S for the resignalling of the western railway network in Denmark. The contract was signed on 31 January 2012.

Development in the year

The income statement of the Company for 2022 shows a profit of DKK 80,057,536, and at 31 December 2022 the balance sheet of the Company shows equity of DKK 211,088,882.

Operating risks

The Company has a back-to-back agreement with GTS Deutschland GmbH in relation to a supplier agreement with BaneDanmark (BDK). The Company has no other special operating, market, foreign exchange, interests or credit risks.

Targets and expectations for the year ahead

The execution of the main contract for Bane-Danmark (BDK) is expected to be extended for a few years in order to be able to deal with the development and changes of the train network. Over the next few years, the focus on service and support of the lines in service will increase.

Research and development

The Company has no research and development activities.

External environment

The Company is environmentally conscious and currently works on reducing environmental impacts from the operations of the Company.

The Company as a minimum complies with current legislation in the area.

Current working environment legislation is complied with, and work is goal oriented towards improving the working environment.

Management's Review

Intellectual capital resources

It is essential for the Company to attract and maintain competent employees, and therefore significant resources are invested in training of the Company's employees at all levels. It is the Company's policy that all employees should develop in their positions.

Uncertainty relating to recognition and measurement

In general, management and reporting on larger projects delivered over longer periods of time is by its nature causing some uncertainty relating to recognition and measurements. Regarding the shares of Cubris ApS a 2-point increase in the applied discount rate would trigger an impairment. In the view of the management no impairment is needed due to a positive trend on commercial prospects leading to less uncertainty on commercial assumptions, and therefore no impairment is applied. Recognition and measurement in the Annual Report have not been subject to other material uncertainty.

Unusual events

The financial position at 31 December 2022 of the Company and the results of the activities of the Company for the financial year for 2022 have not been affected by any unusual events.

Subsequent events

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

Income Statement 1 January - 31 December

	Note	2022 DKK	2021 DKK
Revenue		294.451.729	267.895.414
Other operating income		31.211.873	29.545.505
Expenses for raw materials and consumables		-171.417.059	-167.489.606
Other external expenses		-50.885.231	-41.419.008
Gross profit/loss		103.361.312	88.532.305
Staff expenses	1	-92.361.589	-81.891.092
Depreciation, amortisation and impairment of property, plant and equipment	2	-704.827	-587.952
Result before financial income and expenses		10.294.896	6.053.261
Income from investments in subsidiaries	3	72.244.133	47.368.246
Financial income	4	853.777	189.036
Financial expenses	5	-1.133.217	-3.577.206
Profit/loss before tax		82.259.589	50.033.337
Tax on profit/loss for the year	6	-2.202.053	-1.224.056
Net profit/loss for the year		80.057.536	48.809.281

Balance Sheet 31 December

Assets

	Note	2022 DKK	2021 DKK
Software		84.453	186.555
Intangible assets	7	84.453	186.555
Other fixtures and fittings, tools and equipment		825.680	801.641
Leasehold improvements		313.998	345.582
Property, plant and equipment	8	1.139.678	1.147.223
Investments in subsidiaries	9	35.698.233	35.698.233
Deposits	10	2.033.587	1.910.630
Fixed asset investments		37.731.820	37.608.863
Fixed assets		38.955.951	38.942.641
Inventories	11	70.795.677	67.405.402
Trade receivables		7.410.741	291.695
Contract work in progress	12	426.737.516	414.176.259
Receivables from group enterprises		82.326.775	24.946.406
Other receivables		309.230	76.568
Corporation tax		205.318	0
Corporation tax receivable from group enterprises		1.243.848	24.124.781
Prepayments	13	810.752	1.027.953
Receivables		519.044.180	464.643.662
Cash at bank and in hand		210.565.602	271.969.280
Currents assets		800.405.459	804.018.344
Assets		839.361.410	842.960.985

Balance Sheet 31 December

Liabilities and equity

	Note	2022 DKK	2021 DKK
Share capital		500.000	500.000
Retained earnings		210.588.882	130.531.346
Equity		211.088.882	131.031.346
Provision for deferred tax	14	31.405.170	26.956.503
Other provisions	15	1.568.000	460.000
Provisions		32.973.170	27.416.503
Trade payables		42.232.289	5.073.885
Payables to group enterprises		526.034.121	609.800.176
Corporation tax		0	19.563.773
Payables to group enterprises relating to corporation tax		6.017.956	0
Other payables		21.014.992	50.075.302
Short-term debt		595.299.358	684.513.136
Debt		595.299.358	684.513.136
Liabilities and equity		839.361.410	842.960.985
Distribution of profit	16		
Contingent assets, liabilities and other financial obligations	17		
Related parties	18		
Accounting Policies	19		

Statement of Changes in Equity

	Share capital	Retained earnings	Total
	DKK	DKK	DKK
Equity at 1 January	500.000	135.059.484	135.559.484
Net effect of correction of material misstatements	0	-4.683.875	-4.683.875
Net effect from change of accounting policy	0	155.737	155.737
Adjusted equity at 1 January	500.000	130.531.346	131.031.346
Net profit/loss for the year	0	80.057.536	80.057.536
Equity at 31 December	500.000	210.588.882	211.088.882

Notes to the Financial Statements

	2022 DKK	2021 DKK
1 Staff expenses		
Wages and salaries	86.235.485	76.060.450
Pensions	5.413.655	5.294.130
Other social security expenses	523.864	479.849
Other staff expenses	188.585	56.663
	92.361.589	81.891.092
Including remuneration to the Executive Board of: Executive Board	2.104.276	2.068.287
	2.104.276	2.068.287
Average number of employees	92	92
Board of directors have not received remuneration for their management positions in the accounting year, nor in 2021.		
2 Depreciation, amortisation and impairment of property, plant and equipment		
Amortisation of intangible assets	355.460	373.110
Depreciation of property, plant and equipment	349.367	214.842
	704.827	587.952
3 Income from investments in subsidiaries		
Dividend	72.244.133	47.368.246
	72.244.133	47.368.246
4 Financial income		
Other financial income	420.763	134.736
Currency adjustments, income	433.014	54.300
	853.777	189.036

Notes to the Financial Statements

	2022 DKK	2021 DKK
5 Financial expenses		
Interest and bond costs paid to group enterprises	725.869	13.024
Other financial expenses	329.941	3.402.964
Currency adjustments, expenses	77.407	161.218
	1.133.217	3.577.206
6 Tax on profit/loss for the year		
Tax on profit/loss	-2.571.493	-4.010.967
Deferred tax for the year	4.807.247	5.247.613
Adjustment of tax concerning previous years	324.879	0
Adjustment of deferred tax concerning previous years	-358.580	-12.590
	2.202.053	1.224.056
7 Intangible assets		
		Software DKK
Cost at 1 January		1.718.118
Additions for the year		253.358
Disposals for the year		-225.678
Cost at 31 December		1.745.798
Impairment losses and amortisation at 1 January		1.531.563
Amortisation for the year		355.460
Reversal of amortisation of disposals for the year		-225.678
Impairment losses and amortisation at 31 December		1.661.345
Carrying amount at 31 December		84.453
Amortised over		4 years

Notes to the Financial Statements

8 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK	Total DKK
Cost at 1 January	1.872.159	364.782	2.236.941
Additions for the year	341.822	0	341.822
Disposals for the year	-793.292	0	-793.292
Cost at 31 December	1.420.689	364.782	1.785.471
Impairment losses and depreciation at 1 January	1.070.518	19.200	1.089.718
Depreciation for the year	317.783	31.584	349.367
Reversal of impairment and depreciation of sold assets	-793.292	0	-793.292
Impairment losses and depreciation at 31 December	595.009	50.784	645.793
Carrying amount at 31 December	825.680	313.998	1.139.678
Depreciated over	3-5 years	15 years	

9 Investments in subsidiaries

	2022 DKK	2021 DKK
Cost at 1 January	35.698.233	35.698.233
Carrying amount at 31 December	35.698.233	35.698.233

The value of CUBRIS ApS has been assessed in all material matters correct and all material assumptions have been included, arriving at a valuation from the net present value of the next 5 years cash flows (as the company is still in a growing phase) and the terminal value, based on the current business plan, derived from the commercial prospects, the order backlog and the R&D development. Beyond the 5 years the growth was conservatively limited at 1%. The commercial prospects are benefitting from the Thales BL MLS customer base, enabling a broader access to already established customers. The discount rate retained was based on the Thales Group discount rate of 8% plus 2% to account for the risk of variation of assumptions due to the development phase the company is in. The value calculated does not give rise to depreciation of the book value of the Cubris shares. A 2-point increase in the discount rate would trigger an impairment.

Notes to the Financial Statements

9 Investments in subsidiaries (continued)

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership	Equity	Net profit/loss for the year
Revenue Collection					
Systems Denmark ApS	Ballerup	125.000	100%	53.026.490	52.400.456
Cubris ApS	Ballerup	125.000	100%	-29.140.534	-5.437.856

The Company has a 50% ownership of the partnership 'Fjernbane West Project I/S' together with Strukton Rail Danmark A/S.

The partnership has domicile in Copenhagen.

As of 31 December 2022 the partnership's capital account amounted to DKK 0 and the result of the year 2022 amounted to DKK 0 as well.

10 Other fixed asset investments

	Deposits DKK
Cost at 1 January	1.910.620
Additions for the year	122.967
Cost at 31 December	2.033.587
Carrying amount at 31 December	2.033.587

11 Inventories

	2022 DKK	2021 DKK
Finished goods and goods for resale	70.795.677	67.405.402
	70.795.677	67.405.402

12 Contract work in progress

Selling price of work in progress	2.165.020.638	1.877.981.933
Payments received on account	-1.738.283.122	-1.463.805.674
	426.737.516	414.176.259

Notes to the Financial Statements

13 Prepayments

Prepayments consist of prepaid expenses concerning prepayments for suppliers, rent, insurance premiums and subscriptions.

	2022 DKK	2021 DKK
14 Provision for deferred tax		
Provision for deferred tax at 1 January	26.956.503	21.721.480
Amounts recognised in the income statement for the year	4.807.247	1.224.056
Jointly taxed, use of taxable losses brought forward	-358.580	4.010.967
Provision for deferred tax at 31 December	31.405.170	26.956.503

15 Other provisions

Other provisions	1.568.000	460.000
	1.568.000	460.000

16 Distribution of profit

Retained earnings	80.057.536	48.809.281
	80.057.536	48.809.281

Notes to the Financial Statements

	2022 DKK	2021 DKK
17 Contingent assets, liabilities and other financial obligations		
Rental and lease obligations		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	3.725.986	3.623.561
Between 1 and 5 years	14.447.469	14.175.607
After 5 years	13.637.666	16.771.507
	31.811.121	34.570.675

Other contingent liabilities

The Company has a back-to-back agreement with Thales Gmbh in relation to the supplier agreement with BaneDanmark.

The company has issued a declaration of support to the subsidiary Cubris ApS to ensure its continuing operation, and to meet its liabilities as they fall due for a period until the annual general meeting of the Company in 2024.

The Company is jointly taxed with other Danish companies in the Thales Group. Thales Denmark A/S is the administration company of the joint taxation. The Danish companies of the Group are jointly and severally liable to tax of the Group's jointly taxed income etc. Furthermore, the Danish companies of the Group are jointly and severally liable to the Danish withholding taxes in the form of dividend tax, royalty tax and interest tax. Any future corrections to corporate taxes and withholding taxes can result in a larger amount of the Company's liability.

Notes to the Financial Statements

18 Related parties

	<u>Basis</u>
Controlling interest	
Thales S.A.	Owner

Transactions

During the year, the Company had the following transactions with other group enterprises:

Sales to group enterprises consist of re-invoicing of common costs and in 2022 amounts to TDKK 22.831. The sales have been entered into at arm's length.

Purchases from group enterprises consist of engineering work, royalties, re-invoicing of costs, etc. and in 2022 amounts to TDKK 36.345. The purchases have been entered into at arm's length.

Receivables from group enterprises at the end of 2022 amounts to TDKK 83,571.

Payables to group enterprises at the end of 2022 amounts to TDKK 532.052.

Consolidated Financial Statements

The Company is included in the Group Annual Report of Thales S.A. 45, Tour Carpe Diem -31, Place des Corolles 92098 Paris La Defense, France

<u>Name</u>	<u>Place of registered office</u>
Thales S.A. Tour Carpe Diem -31, Place des Corolles 92098 Paris La Defense	France

The Group Annual Report of Thales S.A. Tour Carpe Diem -31, Place des Corolles 92098 Paris La Defense may be obtained at the following address:

<https://www.thalesgroup.com/en/investors>

Notes to the Financial Statements

19 Accounting Policies

The Annual Report of Ground Transportation Systems Denmark A/S for 2022 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The Financial Statements for 2022 are presented in DKK.

Changes in accounting policies

With effect for the financial year 2022, the Company retrospectively has changed its accounting policy for leases and is now applying to IAS17.

The Company's accounting policies have been changed as it is Management's assessment that the changed accounting policies give a more true and fair view of the financial position and the results of the Company. The accounting policy change has had the following effect on net profit, total assets and equity for comparison figures for 2021:

Net profit increase DKK 129.551
Total assets decrease DKK 38.021.193
Total liabilities decrease DKK 38.176.930
Equity increase DKK 155.737

Correction of material misstatements

In the past the company has by mistake not included inventory correctly. The matter is corrected in 2022 by a correction of the of the comparative figures. Financial highlights have been adjusted accordingly as well. The change has had the following effect on 2021 numbers:

Revenue decrease DKK 31.094.282
Net profit decrease DKK 1.983.940
Selling price of work in progress, decrease DKK 73.410.371
Total assets DKK decrease DKK 4.683.875
Equity decrease DKK 4.683.875

In addition a few other comparison figures have been corrected for presentation purposes with no impact on profit and loss.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of Thales S.A. Tour Carpe Diem -31, Place des Corolles 92098 Paris La Defense, the Company has not prepared consolidated financial statements.

Notes to the Financial Statements

19 Accounting Policies (continued)

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 Thales S.A. Tour Carpe Diem -31, Place des Corolles 92098 Paris La Defense, 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 assets and 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 depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

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.

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.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Notes to the Financial Statements

19 Accounting Policies (continued)

Income Statement

Revenue

The net turnover is recognised in the profit and loss account when a customer obtains control of promised goods or services in an amount that reflects the consideration the entity expects to receive in exchange for those goods or services.

Contract work in progress (construction contracts) is recognised at the rate of completion, which means that revenue equals the selling price of the work completed for the year (percentage-of-completion method). This method is applied when total revenues and expenses in respect of the contract and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the contract. IFRS 15 rules applied and Revenue is recognised based on cost-to-cost method.

Services are recognised at the rate of completion of the service to which the contract relates by using the percentage-of-completion method, which means that revenue equals the selling price of the service completed for the year. This method is applied when total revenues and expenses in respect of the service and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the service.

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

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise finished goods and goods for resale consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise expenses for premises, sales and distribution as well as office expenses, etc.

Staff expenses

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

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of Intangible and Fixed Assets.

Notes to the Financial Statements

19 Accounting Policies (continued)

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of Fixed Assets.

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.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

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

The Company is jointly taxed with The Company is jointly taxed with the other Danish group enterprises. The Company acts as management company. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Intangible assets

Software are measured at the lower of cost less accumulated amortisation and recoverable amount. Software is amortised on a straight-line basis over its useful life, which assessed at 4 years.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Notes to the Financial Statements

19 Accounting Policies (continued)

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other fixtures and fittings, tools and equipment	3-5	years
Leasehold improvements	15	years

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Investments in subsidiaries

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

Other fixed asset investments

Other fixed asset investments consist of deposits.

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The cost of finished goods and goods for resale equals landed cost.

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.

Notes to the Financial Statements

19 Accounting Policies (continued)

Contract work in progress

Contract work in progress regarding service is measured at selling price of the work performed calculated on the basis of the stage of completion. The stage of completion is measured by the proportion that the contract expenses incurred to date bear to the estimated total contract expenses. Where it is probable that total contract expenses will exceed total revenues from a contract, the expected loss is recognised as an expense in the income statement.

Where the selling price cannot be measured reliably, the selling price is measured at the lower of expenses incurred and net realisable value.

Payments received on account are set off against the selling price. The individual contracts are classified as receivables when the net selling price is positive and as liabilities when the net selling price is negative.

Expenses relating to sales work and the winning of contracts are recognised in the income statement as incurred.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums etc.

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Notes to the Financial Statements

19 Accounting Policies (continued)

Current tax receivables and liabilities

Current tax receivables and liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on taxable incomes for prior years. Tax receivables and liabilities are offset if there is a legally enforceable right of set-off and an intention to settle on a net basis or simultaneously.

Financial debts

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

Notes to the Financial Statements

19 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

Gross margin	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
Profit margin	$\frac{\text{Profit before financials} \times 100}{\text{Revenue}}$
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	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$