
Tajco A/S

Jens Ravns Vej 11A, DK-7100 Vejle

Annual Report for 1 January - 31 December 2020

CVR No 33 57 51 06

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
31/5 2021

Henrik Lykke Søberg
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 Tajco A/S for the financial year 1 January - 31 December 2020.

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

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2020 of the Company and of the results of the Company operations for 2020.

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.

Vejle, 28 May 2021

Executive Board

Erik Laursen

Board of Directors

Leif Jensen
Chairman

Limin Kevin Mao

Frank Lorenz

Susanne Ann-Charlotte Budin

Independent Auditor's Report

To the Shareholder of Tajco 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 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.

We have audited the Financial Statements of Tajco A/S for the financial year 1 January - 31 December 2020, 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' 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 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.

Independent Auditor's Report

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 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.

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.

Aarhus, 28 May 2021

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Henrik Kragh
State Authorised Public Accountant
mne26783

Henrik Berring Rasmussen
State Authorised Public Accountant
mne34157

Company Information

The Company

Tajco A/S
Jens Ravns Vej 11A
DK-7100 Vejle

Telephone: + 45 7532 1411
Website: www.tajco-group.com

CVR No: 33 57 51 06
Financial period: 1 January - 31 December
Municipality of reg. office: Vejle

Board of Directors

Leif Jensen, Chairman
Limin Kevin Mao
Frank Lorenz
Susanne Ann-Charlotte Budin

Executive Board

Erik Laursen

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Nobelparken
Jens Chr. Skous Vej 1
DK-8000 Aarhus C

Financial Highlights

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

	2020	2019	2018	2017	2016
	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000
Key figures					
Profit/loss					
Revenue	536.260	644.436	667.577	706.355	629.789
Gross profit/loss	-23.415	18.424	49.966	53.719	69.402
Profit/loss before financial income and expenses	-50.583	-16.834	8.388	-8.026	8.583
Net financials	4.453	3.835	15.191	-3.279	16.073
Net profit/loss for the year	-34.732	-8.953	21.399	-6.163	21.125
Balance sheet					
Balance sheet total	436.443	467.538	454.102	509.220	520.830
Equity	34.726	71.566	80.048	58.199	66.118
Investment in property, plant and equipment	4.678	0	272	418	563
Average number of employees	22	34	41	37	54
Financial ratios					
Gross margin	-4,4%	2,9%	7,5%	7,6%	11,0%
Profit margin	-9,4%	-2,6%	1,3%	-1,1%	1,4%
Return on assets	-11,6%	-3,6%	1,8%	-1,6%	1,6%
Solvency ratio	8,0%	15,3%	17,6%	11,4%	12,7%
Return on equity	-65,4%	-11,8%	31,0%	-9,9%	26,4%

Management's Review

Key activities

The main activity of the Company comprises sales of car parts to the automotive industry for OEMs and Tier 1 partners.

The activity of the Company focuses on development, engineering, sales, logistics, warehousing and distribution.

Tajco A/S's main product is tailpipe trims for the exhaust systems of passenger cars which are, to a great extent, delivered directly to car factories in Europe, Asia and the US.

Development in the year

The income statement of the Company for 2020 shows a loss of TDKK 34,732, particularly impacted by the outbreak of COVID-19 pandemic. The result is deemed unsatisfactory. At 31 December 2020 the balance sheet of the Company shows equity of TDKK 34,726.

Outlook

Despite the uncertainties caused by the continuation of the COVID-19 pandemic, the expectation for 2021 is a single-digit growth rate.

Special risks - operating risks and financial risks

Raw material prices and freight rates

TAJCO Group's use of stainless steel as raw material creates a specific risk; the potentially significant fluctuations in steel prices in the volatile market may create cost increases, which only to a limited degree can be compensated by contractually agreed price increases.

This is similar for fluctuations in freight rates which can also only to a limited degree be compensated by contractually agreed price increases. TAJCO Group continuously monitors the market and assesses if long term agreements for freight rates are considered advantageous.

Management's Review

Currency

Due to its international operations, TAJCO Group earnings, cash flow and equity are affected by the development in exchange rates and interest rates in several currencies. It is TAJCO Group policy not to hedge these commercial currency risks. To the extent possible, TAJCO Group seeks to naturally hedge the risks, which occur as a consequence of the actions in an international market. Furthermore, TAJCO Group continuously monitor fluctuations in currencies and continuously evaluates the need for hedging by forward contracts.

For subsidiaries, which are separate legal entities, the currency adjustments of investments are recognised directly in equity.

External environment

TAJCO Group continuously invests to ensure that all the environmental requirements are followed, including initiatives to ensure that the use of chemicals does not impact or cause damage on the external environment. The necessary environmental licenses have been obtained in order to be able to carry out activities.

Statement of corporate social responsibility

We refer to the Annual Report of Tajco Group A/S for the statutory report on corporate social responsibility.

Statement on gender composition

We refer to the Annual Report of Tajco Group A/S for the statutory report on gender representation at management levels.

Income Statement 1 January - 31 December

	Note	2020 DKK '000	2019 DKK '000
Revenue		536.260	644.436
Expenses for raw materials and consumables		-505.433	-536.820
Other external expenses		-54.242	-89.192
Gross profit/loss		-23.415	18.424
Staff expenses	2	-25.437	-31.663
EBITDA		-48.852	-13.239
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-1.553	-3.595
Other operating expenses		-178	0
Profit/loss before financial income and expenses		-50.583	-16.834
Share of profits of subsidiaries		5.019	5.313
Financial income	3	2.284	1.095
Financial expenses	4	-2.850	-2.573
Profit/loss before tax		-46.130	-12.999
Tax on profit/loss for the year	5	11.398	4.046
Net profit/loss for the year		-34.732	-8.953
Proposed distribution of profit			
Reserve for net revaluation under the equity method		5.019	5.313
Retained earnings		-39.751	-14.266
		-34.732	-8.953

Balance Sheet 31 December

Assets

	Note	2020 DKK '000	2019 DKK '000
Software		400	1.658
Intangible assets	6	400	1.658
Plant and machinery		4.326	0
Other fixtures and fittings, tools and equipment		48	176
Leasehold improvements		0	151
Property, plant and equipment	7	4.374	327
Investments in subsidiaries	8	46.503	43.592
Fixed asset investments		46.503	43.592
Fixed assets		51.277	45.577
Raw materials and consumables		623	946
Finished goods and goods for resale		70.030	81.351
Inventories		70.653	82.297
Trade receivables		79.297	105.628
Contract work in progress	9	27.543	37.636
Receivables from group enterprises		54.380	129.076
Other receivables		19.597	23.616
Deferred tax asset	12	9.053	0
Corporation tax		976	1.048
Prepayments	10	4.800	7.034
Receivables		195.646	304.038
Cash at bank and in hand		118.867	35.626
Currents assets		385.166	421.961
Assets		436.443	467.538

Balance Sheet 31 December

Liabilities and equity

	Note	2020 DKK '000	2019 DKK '000
Share capital		900	900
Reserve for net revaluation under the equity method		45.742	42.831
Retained earnings		-11.916	27.835
Equity		34.726	71.566
Provision for deferred tax	12	0	1.369
Other provisions	13	1.422	2.344
Provisions		1.422	3.713
Other payables		0	682
Long-term debt	14	0	682
Credit institutions		88.009	102.510
Trade payables		9.703	10.521
Contract work in progress, liabilities	9	1.150	7.448
Payables to group enterprises		100.521	59.928
Other payables	14	200.912	211.170
Short-term debt		400.295	391.577
Debt		400.295	392.259
Liabilities and equity		436.443	467.538
Subsequent events	1		
Distribution of profit	11		
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Statement of Changes in Equity

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Total
	DKK '000	DKK '000	DKK '000	DKK '000
Equity at 1 January	900	42.831	27.835	71.566
Exchange adjustments relating to foreign entities	0	-2.108	0	-2.108
Net profit/loss for the year	0	5.019	-39.751	-34.732
Equity at 31 December	900	45.742	-11.916	34.726

Notes to the Financial Statements

1 Subsequent events

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

	2020 DKK '000	2019 DKK '000
2 Staff expenses		
Wages and salaries	23.905	29.571
Pensions	1.344	1.651
Other social security expenses	75	175
Other staff expenses	113	266
	25.437	31.663
Including remuneration to the Executive Board and Board of Directors of:		
Executive Board	3.743	4.934
Board of directors	1.000	1.000
	4.743	5.934
Average number of employees	22	34
3 Financial income		
Interest received from group enterprises	664	691
Other financial income	1.620	404
	2.284	1.095
4 Financial expenses		
Interest paid to group enterprises	1.143	1.124
Other financial expenses	1.707	1.449
	2.850	2.573

Notes to the Financial Statements

	2020 DKK '000	2019 DKK '000
5 Tax on profit/loss for the year		
Current tax for the year	-976	-1.205
Deferred tax for the year	-10.422	-2.841
	-11.398	-4.046

6 Intangible assets

	Software DKK '000
Cost at 1 January	40.021
Cost at 31 December	40.021
Impairment losses and amortisation at 1 January	38.363
Amortisation for the year	1.258
Impairment losses and amortisation at 31 December	39.621
Carrying amount at 31 December	400

7 Property, plant and equipment

	Plant and machinery DKK '000	Other fixtures and fittings, tools and equipment DKK '000	Leasehold improvements DKK '000
Cost at 1 January	104	2.841	889
Additions for the year	4.678	0	0
Disposals for the year	-321	-107	-89
Cost at 31 December	4.461	2.734	800
Impairment losses and depreciation at 1 January	104	2.665	738
Depreciation for the year	31	118	147
Impairment and depreciation of sold assets for the year	0	-97	-85
Impairment losses and depreciation at 31 December	135	2.686	800
Carrying amount at 31 December	4.326	48	0

Notes to the Financial Statements

	2020 DKK '000	2019 DKK '000
8 Investments in subsidiaries		
Cost at 1 January	761	761
Cost at 31 December	761	761
Value adjustments at 1 January	42.831	37.047
Exchange adjustment	-2.108	471
Net profit/loss for the year	5.019	5.313
Value adjustments at 31 December	45.742	42.831
Carrying amount at 31 December	46.503	43.592

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
Tajco Asia Trading Co. Ltd.	China	CNY 681.260	100%
Tajco North America Inc.	USA	USD 100	100%
Tajco Germany GmbH	Germany	EUR 25.000	100%

All foreign subsidiaries are recognised and measured as separate entities.

	2020 DKK '000	2019 DKK '000
9 Contract work in progress		
Selling price of work in progress	64.020	110.584
Payments received on account	-37.627	-80.396
	26.393	30.188
Recognised in the balance sheet as follows:		
Contract work in progress recognised in assets	27.543	37.636
Prepayments received recognised in debt	-1.150	-7.448
	26.393	30.188

Notes to the Financial Statements

10 Prepayments

Prepayments comprise prepaid expenses relating to concluded contracts, rent, licences, telecommunications and insurance premiums, etc.

11 Distribution of profit

Reserve for net revaluation under the equity method	5.019	5.313
Retained earnings	-39.751	-14.266
	-34.732	-8.953

12 Deferred tax asset

Deferred tax asset at 1 January	-1.369	4.211
Amounts recognised in the income statement for the year	10.422	-2.842
Deferred tax asset at 31 December	9.053	-1.369

Intangible assets	88	364
Property, plant and equipment	43	-173
Contract work in progress	-1.105	757
Prepayments	824	1.325
Other payables	-583	-388
Provisions	-2.326	-516
Tax loss carry-forward	-5.994	0
Transferred to deferred tax asset	9.053	0
	0	1.369

Deferred tax has been provided at 22% corresponding to the current tax rate.

Deferred tax asset

Calculated tax asset	9.053	0
Carrying amount	9.053	0

Notes to the Financial Statements

13 Other provisions

Other provisions include expected losses on concluded contracts, etc.

Other provisions	<u>1.422</u>	<u>2.344</u>
	<u>1.422</u>	<u>2.344</u>

The provisions are expected to mature as follows:

Within 1 year	<u>10.570</u>	<u>4.544</u>
	<u>10.570</u>	<u>4.544</u>

Notes to the Financial Statements

14 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	<u>2020</u> DKK '000	<u>2019</u> DKK '000
Other payables		
Between 1 and 5 years	0	682
Long-term part	0	682
Other short-term payables	200.912	211.170
	<u>200.912</u>	<u>211.852</u>

Notes to the Financial Statements

	2020 DKK '000	2019 DKK '000
15 Contingent assets, liabilities and other financial obligations		
Charges and security		
The following assets have been placed as security with bankers:		
Mortgage deed on movable property of nom DKK 8,000,000 secured on fixtures and operating equipment as well as goodwill at a total carrying amount of	48	176
Moreover, the Company has provided a guarantee in respect of bank loans in group enterprises. Bank loans in group enterprises amount to DKK 27,925 at 31 December 2020		
The Company has issued a guarantee of DKK 250k in respect of its obligations towards business partners.		
Rental and lease obligations		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	721	634
Between 1 and 5 years	855	408
	1.576	1.042
Rental obligations, non-cancellable period of up to six months	1.182	1.332

Other contingent liabilities

The Danish group companies are jointly and severally liable for tax on the jointly taxed income of the Group. The total amount appears from the Annual Report of Casifa ApS, which acts as management company in the joint taxation.

Notes to the Financial Statements

16 Related parties

Basis

Controlling interest

Tajco Group A/S, Vejle	Sole shareholder
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Consolidated Financial Statements

The Company is included in the Consolidated Financial Statements of the immediate Parent Company Tajco Group A/S and its ultimate Parent Company Casifa ApS.

Name

Place of registered office

Casifa ApS	Silkeborg
Tajco Group A/S	Vejle

Notes to the Financial Statements

17 Accounting Policies

The Annual Report of Tajco A/S for 2020 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2020 are presented in DKK '000.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of Tajco Group A/S, the Company has not prepared consolidated financial statements.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of Tajco Group A/S, 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.

Notes to the Financial Statements

17 Accounting Policies (continued)

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.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are classified as "Other receivables" and "Other payables", respectively.

Changes in the fair values of derivative financial instruments are recognised in the income statement unless the derivative financial instrument is designated and qualify as hedge accounting.

Revenue

In accordance with section 96 of the Danish Financial Statements Act, the Company has not disclosed revenue broken down by business segments and geographical segments as such disclosures may cause material damage to the Company.

Income Statement

Revenue

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

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.

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

Notes to the Financial Statements

17 Accounting Policies (continued)

Expenses for raw materials and consumables

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

Other external expenses

Other external expenses comprise indirect production costs and 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 assets and property, plant and equipment.

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 intangible assets and property, plant and equipment.

Income from investments in subsidiaries

The item "Income from investments in subsidiaries" in the income statement includes the proportionate share of the profit for the year.

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 Casifa ApS and danish subsidiaries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Notes to the Financial Statements

17 Accounting Policies (continued)

Balance Sheet

Intangible assets

Software is measured at cost less accumulated amortisation. Software is amortised over the expected useful life, which is assessed to be three 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.

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:

Plant and machinery	10 years
Other fixtures and fittings, tools and equipment	3-8 years
Leasehold improvements	5-8 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 recognised and measured under the equity method.

The item "Investments in subsidiaries" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition.

Notes to the Financial Statements

17 Accounting Policies (continued)

tion of the enterprises.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to “Reserve for net revaluation under the equity method“ under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Inventories

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

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, raw materials and consumables 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.

Contract work in progress

Contract work in progress 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.

Notes to the Financial Statements

17 Accounting Policies (continued)

Prepayments

Prepayments comprise prepaid expenses concerning relating to concluded contracts, rent, licences, telecommunications and insurance premiums, etc.

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

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.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

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

Notes to the Financial Statements

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