Tajco A/S

Jens Ravns Vej 11A, DK-7100 Vejle

Annual Report for 2022

CVR No. 33 57 51 06

The Annual Report was presented and adopted at the Annual General Meeting of the company on 2/5 2023

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 Financial Statements of Tajco 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 Financial Statements be adopted at the Annual General Meeting.

Vejle, 2 May 2023

Executive Board

Erik Laursen
CEO

Board of Directors

Leif Jensen Chairman	Chlinton Arendahl Nielsen Vice chairman	Frank Lorenz
Susanne Ann-Charlotte Budin	Limin Kevin Mao	

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 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 Tajco 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 Financial 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.

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.

Independent Auditor's report

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.

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 C, 2 May 2023

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 Chlinton Arendahl Nielsen, vice chairman Frank Lorenz Susanne Ann-Charlotte Budin Limin Kevin Mao
Executive board	Erik Laursen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Jens Chr. Skous Vej 1 8000 Aarhus C

Financial Highlights

Seen over a 5-year period, the development of the Company is described by the following financial highlights:

	2022	2021	2020	2019	2018
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Revenue	593,968	573,318	536,260	644,436	667,577
Gross profit/loss	33,541	51,033	17,327	18,424	49,966
Profit/loss before financial income and expenses	11,342	24,215	-33,256	-16,834	8,388
Profit/loss of financial income and expenses	12,007	12,317	4,453	3,835	15,191
Net profit/loss	19,573	30,904	-13,515	-8,953	21,399
Balance sheet					
Balance sheet total	359,729	488,081	432,631	467,538	454,102
Investment in property, plant and equipment	0	1,404	4,678	0	272
Equity	104,647	83,864	48,241	71,566	80,048
Number of employees	17	21	22	34	41
Ratios					
Gross margin	5.6%	8.9%	3.2%	2.9%	7.5%
Profit margin	1.9%	4.2%	-6.2%	-2.6%	1.3%
Return on assets	3.2%	5.0%	-7.7%	-3.6%	1.8%
Solvency ratio	29.1%	17.2%	11.2%	15.3%	17.6%
Return on equity	20.8%	46.8%	-22.6%	-11.8%	31.0%

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 exhaust trims for the exhaust systems of passenger cars which, to a great extent, are delivered directly to car factories in Europe, Asia and the US.

Development in the year

The income statement for 2022 shows a profit of TDKK 19,573, which is considered satisfactory in light of several challenges throughout the year, e.g.,:
- COVID-19 lockdowns in China
- War in Ukraine
- Inflation and increasing cost of raw materials and indirect production cost.

All above has led to a lower and fluctuating demand of TAJCO exterior trims, and take rates were gradually lowered by customers throughout the year.

TAJCO employees have worked and succeeded together to overcome the challenges and ensured production and delivery of high-quality products to our customers.

Order intake during the year was below expectation and impacted by a low level of new vehicle programs.

As per 31.12.2022, the balance sheet shows an positive equity of TDKK 104,647.

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 a volatile market may create cost increases, which only to a varying degree can be compensated for by contractually agreed price increases. The tendency is similar for fluctuations in freight rates, which also depends on commercial negotiations with individual customers and hence any degree of compensation can vary across the year. TAJCO Group continuously monitors the market and assesses if long term agreements for freight rates are considered advantageous.

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 monitors 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.

Management's review

Targets and expectations for the year ahead

Opportunities for winning new programs for TAJCO exhaust trims are positive as several programs are expected to be quoted in both Europe, US, and Asia in 2023.

Program wins are also expected from product areas, not related to car engine type.

Uncertainties for automotive manufacturers caused by increased inflation and disrupted supply chains could severely influence the demand for exterior trims. Therefore, a single digit decline in 2023 revenue, and a lower EBITDA, are forecasted. This is in line with the trend towards electric vehicles and away from fossil-fuelled cars that carry exhaust trims.

External environment

TAJCO Group continuously invests to ensure that all environmental requirements are followed, including initiatives to ensure that the use of chemicals does not impact or cause damage to the external environment. The necessary environmental licenses and certifications 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 (CVR 33 57 47 97) for the statutory report on corporate social responsibility.

Statement on gender composition

We refer to the annual report of TAJCO Group A/S (CVR 33 57 47 97) for the statutory report on gender representation at management levels.

Statement on data ethics

We refer to the annual report of TAJCO Group A/S (CVR 33 57 47 97) for the statutory report on data ethics.

Income statement 1 January - 31 December

	Note	2022	2021
		TDKK	TDKK
Revenue	1	593,968	573,318
Expenses for raw materials and consumables		-515,045	-476,897
Other external expenses		-45,382	-45,388
Gross profit		**33,541**	**51,033**
Staff expenses	2	-22,060	-26,466
Earnings Before Interest Taxes Depreciation and Amortization		**11,481**	**24,567**
Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment		-139	-352
Profit/loss before financial income and expenses		**11,342**	**24,215**
Income from investments in subsidiaries	3	11,780	10,575
Financial income	4	2,126	12,250
Financial expenses	5	-1,899	-10,508
Profit/loss before tax		**23,349**	**36,532**
Tax on profit/loss for the year	6	-3,776	-5,628
Net profit/loss for the year	7	**19,573**	**30,904**

Balance sheet 31 December

Assets

	Note	2022	2021
		TDKK	TDKK
Acquired licenses		0	132
Intangible assets	8	**0**	**132**
Other fixtures and fittings, tools and equipment		0	7
Property, plant and equipment	9	**0**	**7**
Investments in subsidiaries	10	43,530	61,797
Fixed asset investments		**43,530**	**61,797**
Fixed assets		**43,530**	**61,936**
Raw materials and consumables		719	511
Finished goods and goods for resale		116,905	81,216
Inventories		**117,624**	**81,727**
Trade receivables		71,851	87,525
Contract work in progress	11	27,284	25,208
Receivables from group enterprises		40,955	67,752
Other receivables		23,065	19,460
Deferred tax asset	12	2,864	2,630
Prepayments	13	4,230	4,812
Receivables		**170,249**	**207,387**
Cash at bank and in hand		**28,326**	**137,031**
Current assets		**316,199**	**426,145**
Assets		**359,729**	**488,081**

Balance sheet 31 December

Liabilities and equity

	Note	2022	2021
		TDKK	TDKK
Share capital		900	900
Reserve for net revaluation under the equity method		42,769	61,036
Retained earnings		60,978	21,928
Equity		**104,647**	**83,864**
Other provisions	14	3,063	1,761
Provisions		**3,063**	**1,761**
Credit institutions		43,519	89,996
Trade payables		6,186	5,680
Contract work in progress	11	3,800	258
Payables to group enterprises		88,417	143,746
Corporation tax		2,554	3,045
Other payables		107,543	159,731
Short-term debt		**252,019**	**402,456**
Debt		**252,019**	**402,456**
Liabilities and equity		**359,729**	**488,081**

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Statement of changes in equity

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	900	61,036	21,928	83,864
Exchange adjustments relating to foreign entities	0	1,210	0	1,210
Dividend from group enterprises	0	-31,257	31,257	0
Net profit/loss for the year	0	11,780	7,793	19,573
Equity at 31 December	**900**	**42,769**	**60,978**	**104,647**

Notes to the Financial Statements

	2022	2021
	TDKK	TDKK

1. Revenue

	2022	2021
Geographical segments		
Europe	488,919	482,102
America	86,860	80,718
ROW	18,189	10,498
	593,968	**573,318**
Business segments		
Trims	577,441	553,759
Tools	16,527	19,559
	593,968	**573,318**

	2022	2021
	TDKK	TDKK

2. Staff Expenses

	2022	2021
Wages and salaries	20,841	24,950
Pensions	1,108	1,353
Other social security expenses	111	125
Other staff expenses	0	38
	22,060	**26,466**
Including remuneration to the Executive Board and Board of Directors:		
Executive board	3,828	3,670
Board of directors	1,217	1,000
	5,045	**4,670**
Average number of employees	**17**	**21**

	2022	2021
	TDKK	TDKK

3. Income from investments in subsidiaries

	2022	2021
Share of profits	11,780	10,575
	11,780	**10,575**

Notes to the Financial Statements

4. Financial income

	2022	2021
	TDKK	TDKK
Interest received from group enterprises	98	658
Other financial income	2,028	11,592
	2,126	**12,250**

5. Financial expenses

	2022	2021
	TDKK	TDKK
Interest paid to group enterprises	406	675
Other financial expenses	1,493	9,833
	1,899	**10,508**

6. Income tax expense

	2022	2021
	TDKK	TDKK
Current tax for the year	4,117	3,017
Deferred tax for the year	-234	2,611
Adjustment of tax concerning previous years	-107	0
	3,776	**5,628**

7. Profit allocation

	2022	2021
	TDKK	TDKK
Reserve for net revaluation under the equity method	11,780	10,575
Retained earnings	7,793	20,329
	19,573	**30,904**

Notes to the Financial Statements

8. Intangible fixed assets

	Acquired licenses
	TDKK
Cost at 1 January	40,021
Cost at 31 December	40,021
Impairment losses and amortisation at 1 January	39,889
Amortisation for the year	132
Impairment losses and amortisation at 31 December	40,021
Carrying amount at 31 December	**0**

9. Property, plant and equipment

	Other fixtures and fittings, tools and equipment
	TDKK
Cost at 1 January	2,734
Cost at 31 December	2,734
Impairment losses and depreciation at 1 January	2,727
Depreciation for the year	7
Impairment losses and depreciation at 31 December	2,734
Carrying amount at 31 December	**0**
Amortised over	3-8 years

Notes to the Financial Statements

10. Investments in subsidiaries

	2022	2021
	TDKK	TDKK
Cost at 1 January	761	761
Cost at 31 December	761	761
Value adjustments at 1 January	61,036	45,742
Exchange adjustment	1,210	4,719
Net profit/loss for the year	11,780	10,575
Dividend to the Parent Company	-31,257	0
Value adjustments at 31 December	42,769	61,036
Carrying amount at 31 December	**43,530**	**61,797**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	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%

11. Contract work in progress

	2022	2021
	TDKK	TDKK
Selling price of work in progress	35,506	40,294
Payments received on account	-12,022	-15,344
	23,484	**24,950**
Recognised in the balance sheet as follows:		
Contract work in progress recognised in assets	27,284	25,208
Prepayments received recognised in debt	-3,800	-258
	23,484	**24,950**

Notes to the Financial Statements

	2022	2021
	TDKK	TDKK

12. Deferred tax asset

	2022	2021
Deferred tax asset at 1 January	2,630	5,241
Amounts recognised in the income statement for the year	234	-2,611
Deferred tax asset at 31 December	**2,864**	**2,630**

13. Prepayments

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

14. Other provisions

	2022	2021
	TDKK	TDKK
Other provisions	3,063	1,761
	3,063	**1,761**

The provisions are expected to mature as follows:

	2022	2021
Within 1 year	3,063	1,761
After 5 years	0	0
	3,063	**1,761**

	2022	2021
	TDKK	TDKK

15. Contingent assets, liabilities and other financial obligations

Charges and security

The following assets have been placed as security with bankers:

The Company has issued a guarantee of DKK 250k in respect of its obligations towards business partners.

Notes to the Financial Statements

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

Within 1 year	381	689
Between 1 and 5 years	128	629
	509	**1,318**

Rental obligations, non-cancellable period of up to six months	3,597	3,599

Other contingent liabilities

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of Casifa ApS, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

16. Related parties and disclosure of consolidated financial statements

	Basis
Controlling interest	
Franz Lorenz, Silkeborg	Controlling shareholder of Casifa ApS
Casifa ApS, Silkeborg	Majority shareholder of Tajco Group A/S
Tajco Group A/S, Vejle	Shareholder of Tajco A/S

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

17. Subsequent events

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

18. Accounting policies

The Annual Report of Tajco A/S for 2022 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 2022 are presented in TDKK.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements for 2022 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.

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.

Notes to the Financial Statements

Segment information on revenue

Information on business segments and geographical segments is based on the Company´s risks and returns and its internal financial reporting system. Business segments are regarded as the primary segments.

Income statement

Net sales

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.

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 comprise interest, financial expenses in respect of finance leases, realised and unrealised exchange adjustments, price adjustment of securities, amortisation of mortgage loans as well as extra payments and repayment under the on-account taxation scheme.

Notes to the Financial Statements

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. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

Balance sheet

Intangible fixed 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:

Other fixtures and fittings, tools and equipment	3-8 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 and investments 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 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.

Notes to the Financial Statements

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 and costs of completion. 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.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

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, including the tax base of tax loss carry-forwards, 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

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.

Financial Highlights

Explanation of financial ratios

Gross margin	Gross profit x 100 / Revenue
Profit margin	Profit before financials x 100 / Revenue
Return on assets	Profit before financials x 100 / Total assets at year end
Solvency ratio	Equity at year end x 100 / Total assets at year end
Return on equity	Net profit for the year x 100 / Average equity