
Tajco A/S

Jens Ravns Vej 11A, DK-7100 Vejle

Annual Report for 1 January - 31 December 2021

CVR No 33 57 51 06

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
31/05 2022

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 2021.

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

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2021 of the Company and of the results of the Company operations for 2021.

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, 26 April 2022

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 2021 and of the results of the Company's operations for the financial year 1 January - 31 December 2021 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Tajco A/S for the financial year 1 January - 31 December 2021, which comprise income statement, balance sheet, statement of changes in equity and notes, including 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 misstate-

Independent Auditor's Report

ment, 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.
- 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

Independent Auditor's Report

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, 26 April 2022

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:

	2021	2020	2019	2018	2017
	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000
Key figures					
Profit/loss					
Revenue	573.318	536.260	644.436	667.577	706.355
Gross profit/loss	51.033	17.327	18.424	49.966	53.719
Profit/loss before financial income and expenses	24.215	-33.256	-16.834	8.388	-8.026
Net financials	12.317	4.453	3.835	15.191	-3.279
Net profit/loss for the year	30.904	-13.515	-8.953	21.399	-6.163
Balance sheet					
Balance sheet total	488.081	432.631	467.538	454.102	509.220
Equity	83.864	48.241	71.566	80.048	58.199
Investment in property, plant and equipment	1.404	4.678	0	272	418
Average number of employees	21	22	34	41	37
Financial ratios					
Gross margin	8,9%	3,2%	2,9%	7,5%	7,6%
Profit margin	4,2%	-6,2%	-2,6%	1,3%	-1,1%
Return on assets	5,0%	-7,7%	-3,6%	1,8%	-1,6%
Solvency ratio	17,2%	11,2%	15,3%	17,6%	11,4%
Return on equity	46,8%	-22,6%	-11,8%	31,0%	-9,9%

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 consolidated income statement for 2021 shows a profit of TDKK 30.904 impacted by the lack of semiconductors in the market as well as higher steel prices and freight rates. The result is deemed satisfactory. As per 31.12.2021, the consolidated balance sheet shows an equity of TDKK 83.864

Outlook

Uncertainties caused by the lack of semiconductors, and supply chain issues related to the Ukrainian situation, impact the 2022 outlook forecasting a small single-digit decline in revenue and a lower net result.

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 limited degree can be compensated for by contractually agreed price increases.

The tendency is similar for fluctuations in freight rates, which can also only to a limited degree be compensated for 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 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.

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 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.

Data ethics

We refer to the annual report of TAJCO Group A/S for the statutory report on data ethics.

Income Statement 1 January - 31 December

	Note	2021 DKK '000	2020 DKK '000
Revenue		573.318	536.260
Expenses for raw materials and consumables		-476.897	-488.106
Other external expenses		-45.388	-54.242
Gross profit/loss		51.033	-6.088
Staff expenses	2	-26.466	-25.437
EBITDA		24.567	-31.525
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-352	-1.553
Other operating expenses		0	-178
Profit/loss before financial income and expenses		24.215	-33.256
Share of profits of subsidiaries		10.575	5.019
Financial income	3	12.250	2.284
Financial expenses	4	-10.508	-2.850
Profit/loss before tax		36.532	-28.803
Tax on profit/loss for the year	5	-5.628	7.586
Net profit/loss for the year		30.904	-21.217
Proposed distribution of profit			
Reserve for net revaluation under the equity method		10.575	5.019
Retained earnings		20.329	-26.236
		30.904	-21.217

Balance Sheet 31 December

Assets

	Note	2021 DKK '000	2020 DKK '000
Software		132	400
Intangible assets	6	132	400
Plant and machinery		0	4.326
Other fixtures and fittings, tools and equipment		7	48
Leasehold improvements		0	0
Property, plant and equipment	7	7	4.374
Investments in subsidiaries	8	61.797	46.503
Fixed asset investments		61.797	46.503
Fixed assets		61.936	51.277
Raw materials and consumables		511	623
Finished goods and goods for resale		81.216	70.030
Inventories		81.727	70.653
Trade receivables		87.525	79.297
Contract work in progress	9	25.208	27.543
Receivables from group enterprises		67.752	54.380
Other receivables		19.460	19.597
Deferred tax asset	12	2.630	5.241
Corporation tax		0	976
Prepayments	10	4.812	4.800
Receivables		207.387	191.834
Cash at bank and in hand		137.031	118.867
Currents assets		426.145	381.354
Assets		488.081	432.631

Balance Sheet 31 December

Liabilities and equity

	Note	2021 DKK '000	2020 DKK '000
Share capital		900	900
Reserve for net revaluation under the equity method		61.036	45.742
Retained earnings		21.928	1.599
Equity		83.864	48.241
Other provisions	13	1.761	1.422
Provisions		1.761	1.422
Credit institutions		89.996	88.009
Trade payables		5.680	9.703
Contract work in progress, liabilities	9	258	1.150
Payables to group enterprises		143.746	100.521
Corporation tax		3.045	0
Other payables		159.731	183.585
Short-term debt		402.456	382.968
Debt		402.456	382.968
Liabilities and equity		488.081	432.631
Subsequent events	1		
Distribution of profit	11		
Contingent assets, liabilities and other financial obligations	14		
Related parties	15		
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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	45.742	-11.916	34.726
Adjustment	0	0	13.515	13.515
Adjusted equity at 1 January	900	45.742	1.599	48.241
Exchange adjustments	0	4.719	0	4.719
Net profit/loss for the year	0	10.575	20.329	30.904
Equity at 31 December	900	61.036	21.928	83.864

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.

	2021 DKK '000	2020 DKK '000
2 Staff expenses		
Wages and salaries	24.950	23.905
Pensions	1.353	1.344
Other social security expenses	125	75
Other staff expenses	38	113
	26.466	25.437
Including remuneration to the Executive Board and Board of Directors of:		
Executive Board	3.670	3.743
Board of directors	1.000	1.000
	4.670	4.743
Average number of employees	21	22
3 Financial income		
Interest received from group enterprises	658	664
Other financial income	11.592	1.620
	12.250	2.284
4 Financial expenses		
Interest paid to group enterprises	675	1.143
Other financial expenses	9.833	1.707
	10.508	2.850

Notes to the Financial Statements

	2021 DKK '000	2020 DKK '000
5 Tax on profit/loss for the year		
Current tax for the year	3.017	2.836
Deferred tax for the year	2.611	-10.422
	5.628	-7.586

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	39.621
Amortisation for the year	268
Impairment losses and amortisation at 31 December	39.889
Carrying amount at 31 December	132

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	4.461	2.734	800
Additions for the year	1.404	0	0
Disposals for the year	-5.761	0	0
Cost at 31 December	104	2.734	800
Impairment losses and depreciation at 1 January	135	2.686	800
Depreciation for the year	42	41	0
Reversal of impairment and depreciation of sold assets	-73	0	0
Impairment losses and depreciation at 31 December	104	2.727	800
Carrying amount at 31 December	0	7	0

Notes to the Financial Statements

	2021 DKK '000	2020 DKK '000
8 Investments in subsidiaries		
Cost at 1 January	761	761
Cost at 31 December	761	761
Value adjustments at 1 January	45.742	42.831
Exchange adjustment	4.719	-2.108
Net profit/loss for the year	10.575	5.019
Value adjustments at 31 December	61.036	45.742
Carrying amount at 31 December	61.797	46.503

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.

	2021 DKK '000	2020 DKK '000
9 Contract work in progress		
Selling price of work in progress	40.294	64.020
Payments received on account	-15.344	-37.627
	24.950	26.393
Recognised in the balance sheet as follows:		
Contract work in progress recognised in assets	25.208	27.543
Prepayments received recognised in debt	-258	-1.150
	24.950	26.393

Notes to the Financial Statements

10 Prepayments

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

	2021 DKK '000	2020 DKK '000
11 Distribution of profit		
Reserve for net revaluation under the equity method	10.575	5.019
Retained earnings	20.329	-26.236
	30.904	-21.217

12 Deferred tax asset

Deferred tax asset at 1 January	5.241	-1.369
Amounts recognised in the income statement for the year	-2.611	6.610
Deferred tax asset at 31 December	2.630	5.241
Intangible assets	29	88
Property, plant and equipment	-43	43
Contract work in progress	-602	-1.105
Prepayments	953	824
Other payables	-837	-583
Provisions	-2.130	-2.326
Tax loss carry-forward	0	-2.182
Transferred to deferred tax asset	2.630	5.241
	0	0

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

Deferred tax asset

Calculated tax asset	2.630	5.241
Carrying amount	2.630	5.241

Notes to the Financial Statements

	<u>2021</u> DKK '000	<u>2020</u> DKK '000
13 Other provisions		
Other provisions include expected losses on concluded contracts, etc.		
Other provisions	<u>1.761</u>	<u>1.422</u>
	<u>1.761</u>	<u>1.422</u>
The provisions are expected to mature as follows:		
Within 1 year	<u>1.761</u>	<u>1.422</u>
	<u>1.761</u>	<u>1.422</u>

Notes to the Financial Statements

	2021 DKK '000	2020 DKK '000
14 Contingent assets, liabilities and other financial obligations		
Charges and security		
The Company has provided a guarantee in respect of bank loans in group enterprises. Bank loans in group enterprises amount to DKK 27,615 at 31 December 2021		
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	689	721
Between 1 and 5 years	629	855
	1.318	1.576
Rental obligations, non-cancellable period of up to six months	3.599	1.182

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

15 Related parties

	<u>Basis</u>
Controlling interest	
Tajco Group A/S, Vejle	Sole shareholder

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.

<u>Name</u>	<u>Place of registered office</u>
Casifa ApS	Silkeborg
Tajco Group A/S	Vejle

Notes to the Financial Statements

16 Accounting Policies

The Annual Report of Tajco A/S for 2021 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 2021 are presented in DKK '000.

A correction of comparative figures for 2020 have been incorporated in the financial statements for 2021. The corrections relates to the distribution of work in progress between Tajco A/S and Tajco Manufacturing Co., Ltd. Profit and loss 2020 has been adjusted by kDKK 13,515 (reduction of deficit). Total liabilities 31 December 2020 has been reduced by kDKK 17,327, total assets has been reduced by kDKK 3,812 and Equity opening balance has been increased kDKK 13,515.

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.

Notes to the Financial Statements

16 Accounting Policies (continued)

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.

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

Notes to the Financial Statements

16 Accounting Policies (continued)

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

Notes to the Financial Statements

16 Accounting Policies (continued)

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.

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.

Notes to the Financial Statements

16 Accounting Policies (continued)

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.

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 expen-

Notes to the Financial Statements

16 Accounting Policies (continued)

ses 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 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.

Notes to the Financial Statements

16 Accounting Policies (continued)

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.

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