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Kohsel Holding ApS
Sønderskovvej 1
8362 Hørning
Central Business Registration
No 35867694

Annual report 2016/17

The Annual General Meeting adopted the annual report on 18.09.2017

Chairman of the General Meeting

____
Name: Carl Erik Skovgaard Sørensen

Contents

Entity details

Entity
Kohsel Holding ApS
Sønderskovvej 1
8362 Hørning

Central Business Registration No: 35867694
Registered in: Aarhus
Financial year: 01.05.2016 - 30.04.2017

Board of Directors
Christian Møller Christensen, Chairman
Thomas Hougaard Bonde
Morten Vestergaard Kohsel
Niels Erik Lindskrog Smith

Executive Board
Thomas Hougaard Bonde

Auditors
Deloitte Statsautoriseret Revisionspartnerselskab
City Tower, Værkmestergade 2
8000 Aarhus C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Kohsel Holding ApS for the financial year 01.05.2016 - 30.04.2017.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 30.04.2017 and of the results of its operations and cash flows for the financial year 01.05.2016 - 30.04.2017.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Hørning, 18.09.2017

Executive Board

Thomas Hougaard Bonde

Board of Directors

Christian Møller Christensen Chairman	Thomas Hougaard Bonde	Morten Vestergaard Kohsel
Niels Erik Lindskrog Smith		

Independent auditor's report

To the shareholders of Kohsel Holding ApS

Opinion

We have audited the consolidated financial statements and the parent financial statements of Kohsel Holding ApS for the financial year 01.05.2016 - 30.04.2017, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 30.04.2017, and of the results of their operations and the consolidated cash flows for the financial year 01.05.2016 - 30.04.2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board of 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.

Management's responsibilities for the consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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

Independent auditor's report

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 consolidated financial statements and parent 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 consolidated financial statements and the parent 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 Group’s and the Entity’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 consolidated financial statements and the parent 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 Group's and the Entity’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 consolidated financial statements and the parent 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 Group and the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Independent auditor's report

Statement on the management commentary
Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Aarhus, 18.09.2017

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556

Michael Bach
State-Authorised Public Accountant

Management commentary

	2016/17 DKK'000	2015/16 DKK'000	2014/15 DKK'000
Financial highlights			
Key figures			
Gross profit	53.714	44.988	33.685
Operating profit/loss	23.238	18.749	13.276
Net financials	(1.281)	(1.645)	434
Profit/loss for the year	15.935	12.157	9.246
Total assets	150.430	132.231	130.344
Investments in property, plant and equipment	2.596	1.250	8.540
Equity incl minority interests	87.507	71.564	59.417
Ratios			
Return on equity (%)	20,0	18,6	15,6
Equity ratio (%)	58,2	54,1	45,6

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2015" issued by the Danish Society of Financial Analysts.

Ratios	Calculation formula	Ratios
Return on equity (%)	$\frac{\text{Profit/loss for the year x 100}}{\text{Average equity incl minority interests}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity incl minority interests x 100}}{\text{Total assets}}$	The financial strength of the entity.

Management commentary

Primary activities

The Company's activity consists in investing in Kohsel Elektronik A/S.

Development in activities and finances

The Group and the Company realised a profit of DKK 15,924k for the financial year 2016/17. Management considers profit for the year satisfactory.

Outlook

Management expects a profit for the coming years at the same lavel as in 2016/17.

Particular risks

The Group's activity is not subject to any special operating risks, interest risks or credit risks.

For further information, see the Group's website www.kohsel.dk.

Currency risks

A large part of the Group's activities takes place abroad. The Group is aware, to the necessary extent, of the risks involved and the possibilities of current hedging, i.a. by way of invoicing and purchasing in local currency etc.

Cash

The Group's cash position is satisfactory. The external financing primarily comprises floating interest loans.

Intellectual capital resources

It is the Group's objective to deliver high-quality products. The Group's staff is working according to an extensive quality management system, ensuring optimum use of the Group's knowledge resources. During the year, the Group's quality system has been updated to the newest version ISO 9001 (2015).

Environmental performance

Kohsel Elektronik A/S is an environmentally conscious enterprise, which carries out ongoing improvements in relation to environmental considerations and which observes all regulatory requirements in the environmental area at a minimum.

The Company's quality and environment handbook complies with the DS/ENISO 14001:2004 standard. The Company's departments in Denmark and Latvia were ISO 14001 (2015) environmentally certified in 2016/17.

Health and safety at the workplace

Kohsel Elektronik A/S takes on responsibility for the working environment and focuses on employee health. The working environment meets the highest national requirements in Denmark, Latvia and Thailand. We attach importance to being an attractive workplace, contributing to the employees' health and well-being. During the year, a CSR audit was carried out with external partners (SGS) at the Company's production facilities in Thailand. This to ensure that all requirements are fulfilled.

Management commentary

Corporate social responsibility

Kohsel Elektronik A/S has signed the UN Global Compact's 10 principles and observes these in the daily work with human rights, employers' rights and anti-corruption.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Consolidated income statement for 2016/17

	Notes	2016/17 DKK	2015/16 DKK
Gross profit		**53.713.619**	**44.987.929**
Staff costs	1	(23.659.843)	(19.537.502)
Depreciation, amortisation and impairment losses	2	(6.815.726)	(6.701.098)
Operating profit/loss		**23.238.050**	**18.749.329**
Other financial income		7.300	69
Other financial expenses		(1.288.082)	(1.645.124)
Profit/loss before tax		**21.957.268**	**17.104.274**
Tax on profit/loss for the year	3	(6.021.900)	(4.946.997)
Profit/loss for the year	4	**15.935.368**	**12.157.277**

Consolidated balance sheet at 30.04.2017

	Notes	2016/17 DKK	2015/16 DKK
Acquired intangible assets		7.111	0
Goodwill		61.423.522	66.501.512
Intangible assets	5	**61.430.633**	**66.501.512**
Land and buildings		3.842.622	3.455.477
Other fixtures and fittings, tools and equipment		4.119.681	3.489.387
Leasehold improvements		196.087	196.931
Property, plant and equipment	6	**8.158.390**	**7.141.795**
Fixed assets		**69.589.023**	**73.643.307**
Raw materials and consumables		17.333.416	10.710.988
Work in progress		1.895.793	1.315.863
Manufactured goods and goods for resale		6.110.545	2.883.828
Inventories		**25.339.754**	**14.910.679**
Trade receivables		46.768.667	36.646.559
Other receivables		330.481	231.926
Prepayments	7	2.250.290	2.586.964
Receivables		**49.349.438**	**39.465.449**
Cash		**6.151.976**	**4.211.996**
Current assets		**80.841.168**	**58.588.124**
Assets		**150.430.191**	**132.231.431**

Consolidated balance sheet at 30.04.2017

	Notes	2016/17 DKK	2015/16 DKK
Contributed capital		200.000	200.000
Retained earnings		87.143.943	71.220.285
Equity attributable to the Parent's owners		**87.343.943**	**71.420.285**
Share of equity attributable to minority interests		**162.806**	**143.423**
Equity		**87.506.749**	**71.563.708**
Deferred tax		368.884	681.083
Other provisions	8	900.000	900.000
Provisions		**1.268.884**	**1.581.083**
Bank loans		0	22.049.317
Other payables		15.000.000	15.000.000
Non-current liabilities other than provisions		**15.000.000**	**37.049.317**
Bank loans		26.548.817	5.927.030
Trade payables		10.911.507	7.671.723
Joint taxation contribution payable		5.404.516	4.632.851
Other payables		3.789.718	3.805.719
Current liabilities other than provisions		**46.654.558**	**22.037.323**
Liabilities other than provisions		**61.654.558**	**59.086.640**
Equity and liabilities		**150.430.191**	**132.231.431**
Contingent liabilities	10		
Mortgages and securities	11		
Subsidiaries	12		

Consolidated statement of changes in equity for 2016/17

	Contributed capital DKK	Retained earnings DKK	Share of equity attributable to minority interests DKK	Total DKK
Equity beginning of year	200.000	71.220.285	143.423	71.563.708
Exchange rate adjustments	0	0	7.674	7.674
Profit/loss for the year	0	15.923.658	11.709	15.935.367
Equity end of year	**200.000**	**87.143.943**	**162.806**	**87.506.749**

Consolidated cash flow statement for 2016/17

	Notes	2016/17 DKK	2015/16 DKK
Operating profit/loss		23.238.050	18.749.329
Amortisation, depreciation and impairment losses		6.815.726	6.701.098
Other provisions		0	200.000
Working capital changes	9	(17.552.637)	(7.460.194)
Cash flow from ordinary operating activities		**12.501.139**	**18.190.233**
Financial income received		7.300	69
Financial income paid		(1.288.082)	(1.645.124)
Income taxes refunded/(paid)		(5.250.235)	(5.147.033)
Cash flows from operating activities		**5.970.122**	**11.398.145**
Acquisition etc of intangible assets		(7.111)	0
Acquisition etc of property, plant and equipment		(2.595.501)	(1.249.837)
Cash flows from investing activities		**(2.602.612)**	**(1.249.837)**
Instalments on loans etc		(22.049.317)	(12.125.683)
Cash flows from financing activities		**(22.049.317)**	**(12.125.683)**
Increase/decrease in cash and cash equivalents		**(18.681.807)**	**(1.977.375)**
Cash and cash equivalents beginning of year		(1.715.034)	262.341
Cash and cash equivalents end of year		**(20.396.841)**	**(1.715.034)**
Cash and cash equivalents at year-end are composed of:			
Cash		6.151.976	4.211.996
Short-term debt to banks		(26.548.817)	(5.927.030)
Cash and cash equivalents end of year		**(20.396.841)**	**(1.715.034)**

Notes to consolidated financial statements

	2016/17 DKK	2015/16 DKK
1. Staff costs		
Wages and salaries	20.851.240	16.805.329
Pension costs	1.292.789	1.127.222
Other social security costs	1.515.814	1.604.951
	23.659.843	**19.537.502**
Average number of employees	**275**	**224**

	Remuneration of management 2016/17 DKK	Remuneration of management 2015/16 DKK
Total amount for management categories	722.700	498.006
	722.700	**498.006**

	2016/17 DKK	2015/16 DKK
2. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	5.077.990	5.285.960
Depreciation of property, plant and equipment	1.557.775	1.495.326
Profit/loss from sale of intangible assets and property, plant and equipment	179.961	(80.188)
	6.815.726	**6.701.098**

	2016/17 DKK	2015/16 DKK
3. Tax on profit/loss for the year		
Tax on current year taxable income	6.334.099	4.488.198
Change in deferred tax for the year	(312.199)	458.799
	6.021.900	**4.946.997**

	2016/17 DKK	2015/16 DKK
4. Proposed distribution of profit/loss		
Retained earnings	15.923.659	12.148.463
Minority interests' share of profit/loss	11.709	8.814
	15.935.368	**12.157.277**

Notes to consolidated financial statements

	Acquired intangible assets DKK	Goodwill DKK
5. Intangible assets		
Cost beginning of year	0	76.169.847
Additions	7.111	0
Cost end of year	**7.111**	**76.169.847**
Amortisation and impairment losses beginning of year	0	(9.668.335)
Amortisation for the year	0	(5.077.990)
Amortisation and impairment losses end of year	**0**	**(14.746.325)**
Carrying amount end of year	**7.111**	**61.423.522**

	Land and buildings DKK	Other fixtures and fittings, tools and equipment DKK	Leasehold improve-ments DKK
6. Property, plant and equipment			
Cost beginning of year	4.178.248	5.019.868	393.563
Additions	675.132	1.848.970	71.400
Disposals	0	(87.602)	0
Cost end of year	**4.853.380**	**6.781.236**	**464.963**
Depreciation and impairment losses beginning of the year	(722.771)	(1.530.481)	(196.632)
Reversal of impairment losses	0	66.470	0
Depreciation for the year	(287.987)	(1.197.544)	(72.244)
Depreciation and impairment losses end of the year	**(1.010.758)**	**(2.661.555)**	**(268.876)**
Carrying amount end of year	**3.842.622**	**4.119.681**	**196.087**

7. Prepayments

Costs incurred relating to the subsequent financial year.

8. Other provisions

Provision for general guarantee commitments are based on the annual sales.

Notes to consolidated financial statements

	2016/17 DKK	2015/16 DKK
9. Change in working capital		
Increase/decrease in inventories	(10.429.075)	(2.475.172)
Increase/decrease in receivables	(9.883.989)	(7.687.093)
Increase/decrease in trade payables etc	2.760.427	2.702.071
	(17.552.637)	**(7.460.194)**

10. Contingent liabilities

None.

11. Mortgages and securities

None.

	Registered in	Corpo-rate form	Equity inte-rest %
12. Subsidiaries			
Kohsel Elektronik A/S	Hørning	A/S	100,0

Parent income statement for 2016/17

	Notes	2016/17 DKK	2015/16 DKK
Gross loss		**(20.291)**	**(4.850)**
Income from investments in group enterprises		16.953.192	13.262.730
Other financial expenses	1	(1.299.625)	(1.423.698)
Profit/loss before tax		**15.633.276**	**11.834.182**
Tax on profit/loss for the year	2	290.382	314.281
Profit/loss for the year	3	**15.923.658**	**12.148.463**

Parent balance sheet at 30.04.2017

	Notes	2016/17 DKK	2015/16 DKK
Investments in group enterprises		101.778.605	106.425.413
Fixed asset investments	4	**101.778.605**	**106.425.413**
Fixed assets		**101.778.605**	**106.425.413**
Receivables from group enterprises		0	4.745.926
Dividends receivable from group enterprises		8.000.000	0
Joint taxation contribution receivable		5.447.434	0
Receivables		**13.447.434**	**4.745.926**
Cash		**184.500**	**2.056.908**
Current assets		**13.631.934**	**6.802.834**
Assets		**115.410.539**	**113.228.247**

Parent balance sheet at 30.04.2017

	Notes	2016/17 DKK	2015/16 DKK
Contributed capital		200.000	200.000
Reserve for net revaluation according to the equity method		5.226.329	9.873.137
Retained earnings		81.917.614	61.347.148
Equity		**87.343.943**	**71.420.285**
Bank loans		0	22.049.317
Payables to associates		15.000.000	15.000.000
Non-current liabilities other than provisions	5	**15.000.000**	**37.049.317**
Current portion of long-term liabilities other than provisions	5	7.549.317	0
Trade payables		20.000	0
Income tax payable		5.157.052	4.431.645
Other payables		340.227	327.000
Current liabilities other than provisions		**13.066.596**	**4.758.645**
Liabilities other than provisions		**28.066.596**	**41.807.962**
Equity and liabilities		**115.410.539**	**113.228.247**
Contingent liabilities	6		
Mortgages and securities	7		
Related parties with controlling interest	8		

Parent statement of changes in equity for 2016/17

	Contributed capital DKK	Reserve for net revaluation according to the equity method DKK	Retained earnings DKK	Total DKK
Equity beginning of year	200.000	9.873.137	61.347.148	71.420.285
Transfer to reserves	0	(21.600.000)	21.600.000	0
Profit/loss for the year	0	16.953.192	(1.029.534)	15.923.658
Equity end of year	**200.000**	**5.226.329**	**81.917.614**	**87.343.943**

Notes to parent financial statements

	2016/17 DKK	2015/16 DKK
1. Other financial expenses		
Financial expenses from associates	900.000	900.000
Interest expenses	399.625	523.698
	1.299.625	**1.423.698**

	2016/17 DKK	2015/16 DKK
2. Tax on profit/loss for the year		
Tax on current year taxable income	(290.382)	(314.281)
	(290.382)	**(314.281)**

	2016/17 DKK	2015/16 DKK
3. Proposed distribution of profit/loss		
Transferred to reserve for net revaluation according to the equity method	16.953.192	13.262.730
Retained earnings	(1.029.534)	(1.114.267)
	15.923.658	**12.148.463**

	Investments in group enterprises DKK
4. Fixed asset investments	
Cost beginning of year	96.552.276
Cost end of year	**96.552.276**
Revaluations beginning of year	9.873.137
Amortisation of goodwill	(5.077.990)
Share of profit/loss for the year	22.031.182
Dividend	(21.600.000)
Revaluations end of year	**5.226.329**
Carrying amount end of year	**101.778.605**

Notes to parent financial statements

	Instalments within 12 months 2016/17 DKK	Instalments beyond 12 months 2016/17 DKK
5. Liabilities other than provisions		
Bank loans	7.549.317	0
Payables to associates	0	15.000.000
Other payables	0	0
	7.549.317	**15.000.000**

Other non-current liabilities comprise a loan from the capital owner, which is instalment free until 30.06.2019, when the entire amount will fall due for payment.

6. Contingent liabilities

The Entity serves as an administration company in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable from the financial year 2013 for income taxes etc for the jointly taxed entities and from 1 July 2012 also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for these entities. The total known net liability of the jointly taxed entities under the joint taxation arrangement is evident from the administration company's financial statements.

7. Mortgages and securities

Investments in group enterprises are lodged as collateral for bank loans. The carrying amount of the mortgaged investments is DKK 101,778.605.

8. Related parties with controlling interest

Related parties with controlling interest in the Company includes:

- SE Blue Equity I K/S, Kolding

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (middle).

The accounting policies applied to these consolidated financial statements and parent financial statements are consistent with those applied last year. If the amounts are stated in a different currency than DKK or EUR, the exchange rate of the stated currency in terms of DKK prevailing at the balance sheet date must be disclosed, and similarly for the preceding financial year.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Consolidated financial statements

The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence.

Basis of consolidation

The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements. Minority interests' proportionate share of profit or loss is presented as a separate item in Management's proposal for distribution of profit or loss, and their share of subsidiaries' net assets is presented as a separate item in group equity.

Accounting policies

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the acquisition date, with net assets having been calculated at fair value.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, changes in inventories and other external expenses.

Revenue

Revenue is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Costs of raw materials and consumables

Costs of raw materials and consumables comprise the consumption of raw materials and consumables for the financial year after adjustment for changes in inventories of these goods from the beginning to the end of the year. This item may include wastage and ordinary write-downs of the relevant inventories.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, promotion expenses, etc. Other external expenses also include impairment losses on receivables recognised in current assets.

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses

Amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of internal profits or losses.

Other financial income from group enterprises

Other financial income from group enterprises comprises interest income etc on receivables from group enterprises.

Other financial income

Other financial income comprises interest income, including interest income on receivables from group enterprises, net capital gains on transactions in foreign currencies as well as tax relief under the Danish Tax Prepayment Scheme etc.

Accounting policies

Financial expenses from group enterprises
Financial expenses from group enterprises comprise interest expenses etc from payables to group enterprises.

Other financial expenses
Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital losses on transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year
Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Balance sheet
Goodwill
Goodwill is the positive difference between cost and value in use of assets and liabilities taken over as part of the acquisition. Goodwill is amortised straight-line over its estimated useful life which is fixed based on the experience gained by Management for each business area. Useful life is determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. If it is not possible to estimate the useful life reliably, it is set at 10 years. Useful lives are reassessed on an annual basis. The amortisation period used is 15 years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

Intellectual property rights etc
Intellectual property rights etc comprise acquired intellectual property rights.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised over their remaining duration, and licences are amortised over the term of the agreement, but over no more than 20 years.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment
Land and buildings, plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

Accounting policies

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Buildings	10-25 years
Other fixtures and fittings, tools and equipment	3-10 years
Leasehold improvements	10 years

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Investments in group enterprises

Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus or minus unamortised goodwill and plus or minus unrealised intra-group profits or losses.

Goodwill is calculated as the difference between cost of the investments and fair value of the pro rata share of assets and liabilities acquired. Goodwill is amortised straigth-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. Useful life is determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. If the useful life cannot be estimated reliably, it is fixed at 10 years. Useful lives are reassessed annually. The amortisation period used is 15 years.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

Inventories

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

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables and direct labour costs.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Accounting policies

Cash
Cash comprises cash in hand and bank deposits.

Deferred tax
Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Other provisions
Other provisions comprise anticipated costs of non-recourse guarantee commitments.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

Non-recourse guarantee commitments comprise commitments to remedy defects and deficiencies within the guarantee period.

Other financial liabilities
Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Income tax receivable or payable
Current tax payable or receivable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

Cash flow statement
The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Accounting policies

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, inception of finance leases, instalments on interest-bearing debt, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash less short-term bank loans.

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