
Sjølund Management ApS

Skamlingvejen 146, DK-6093 Sjølund

Annual Report for 5 December 2017 - 30 September 2018

CVR No 39 13 85 65

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
20/12 2018

Finn Mortensen
Chairman of the General
Meeting



Contents

	<u>Page</u>
Management's Statement and Auditor's Report	
Management's Statement	1
Independent Auditor's Report	2
Management's Review	
Company Information	5
Group Chart	6
Financial Highlights	7
Management's Review	8
Consolidated and Parent Company Financial Statements	
Income Statement 5 December - 30 September	9
Balance Sheet 30 September	10
Statement of Changes in Equity	12
Cash Flow Statement 5 December - 30 September	13
Notes to the Financial Statements	14

Management's Statement

The Executive Board has today considered and adopted the Annual Report of Sjølund Management ApS for the financial year 5 December 2017 - 30 September 2018.

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

In our opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 30 September 2018 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2017/18.

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.

Kolding, 20 December 2018

Executive Board

Søren Ravn Jensen
CEO

Christian Østergaard
Executive Officer

Finn Nørgaard Mortensen
Executive Officer

Independent Auditor's Report

To the Shareholders of Sjølund Management ApS

Opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 30 September 2018 and of the results of the Group's and the Parent Company's operations and of consolidated cash flows for the financial year 5 December 2017 - 30 September 2018 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Sjølund Management ApS for the financial year 5 December 2017 - 30 September 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows ("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 Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Independent Auditor's Report

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company 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 consolidated financial statements and parent company 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 Group's and 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 Group or 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 and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

Independent Auditor's Report

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and 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 Group and 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.
- 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.

Trekantområdet, 20 December 2018

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Jan Bunk Harbo Larsen
State Authorised Public Accountant
mne30224

Henrik Forthoft Lind
State Authorised Public Accountant
mne34169

Company Information

The Company

Sjølund Management ApS
Skamlingvejen 146
DK-6093 Sjølund

CVR No: 39 13 85 65
Financial period: 5 December - 30 September
Municipality of reg. office: Kolding

Executive Board

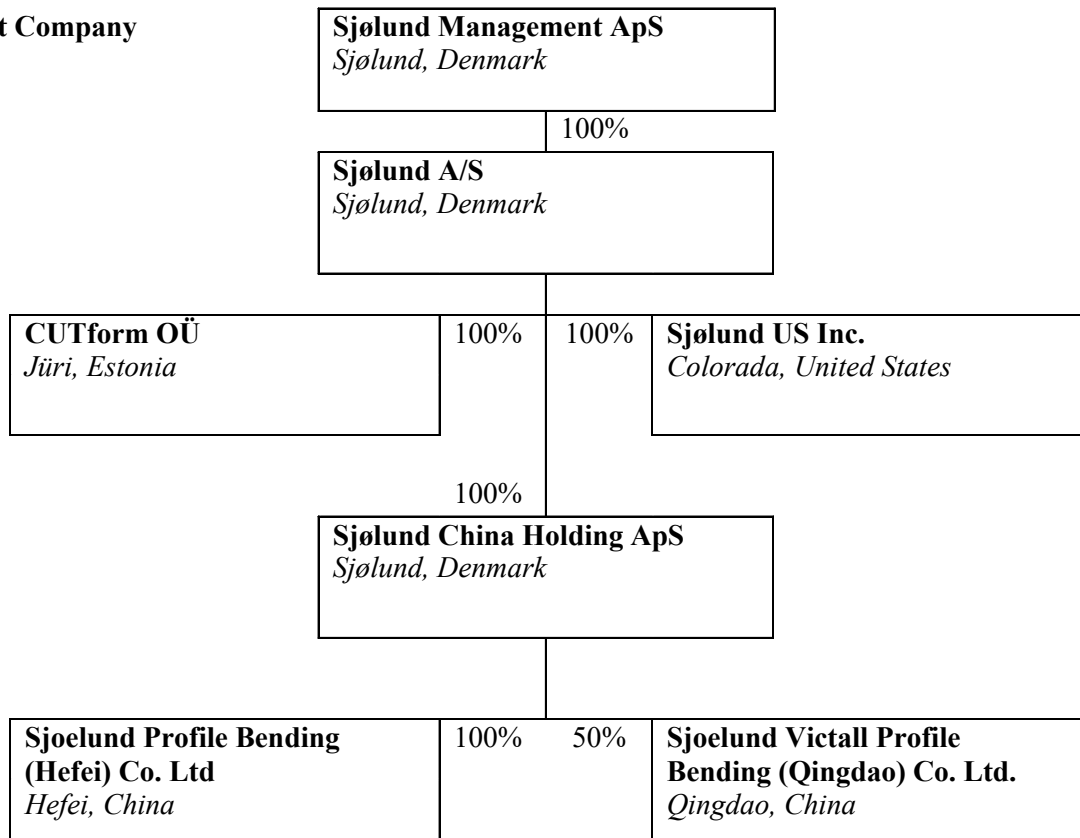
Søren Ravn Jensen
Christian Østergaard
Finn Nørgaard Mortensen

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Herredsvej 32
DK-7100 Vejle

Group Chart

Parent Company



Financial Highlights

Since founding of the company, the development of the Group is described by the following financial highlights:

	Group
	2017/18
	TDKK
Key figures	
Profit/loss	
Gross profit/loss	60.962
Profit/loss before financial income and expenses	9.639
Net financials	-7.999
Net profit/loss for the year	-1.641
Balance sheet	
Balance sheet total	333.546
Equity	34.561
Cash flows	
Cash flows from:	
- operating activities	9.197
- investing activities	-244.266
including investment in property, plant and equipment	-970
- financing activities	273.812
Change in cash and cash equivalents for the year	38.743
Number of employees	124
Ratios	
Return on assets	2,9%
Solvency ratio	10,4%
Return on equity	-9,5%

See the description under accounting policies.

Management's Review

Key activities

Sjølund Management ApS group's main activity is profile bending, machining and welding of steel and aluminum profiles. We drive to create value for our customers with delivering quality products and innovative solutions.

Development in the year

The income statement of the Group for 2017/18 shows a loss of TDKK 1,641, and at 30 September 2018 the balance sheet of the Group shows equity of TDKK 34,561.

Acquisition of Sjølund A/S

As per 19 January 2018 100% of the shares in the subsidiary Sjølund A/S has been purchased.

Capital resources

With the presented balance sheet and the expectations for 2018/19 we believe that the company has sufficient capital resources available.

Special risks - operating risks and financial risks

Foreign exchange risks

As per the business model of the company there are no special risks neither commercially nor financially.

The Group has a currency exposure with regards to fluctuation in USD due to business activities in the US market.

Targets and expectations for the year ahead

For the year 2018/19 the result is again expected to be at the same level as this year.

External environment

It is the valuation of the management that the environment impact of the activities of the Sjølund Group are limited. All production processes are powered by electricity with rec-certification. The production facility is heated with gas or electricity. Water is only used for sanitary purposes.

Furthermore, the group is certified in accordance with ISO 14001 standard and consequently monitoring and focusing on reduction and optimizing on the environment impact of the activities.

Income Statement 5 December - 30 September

	Note	Group 2017/18 TDKK	Parent 2017/18 TDKK
Gross profit/loss		60.962	4.016
Staff expenses	1	-36.642	-3.937
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-14.681	0
Profit/loss before financial income and expenses		9.639	79
Income from investments in subsidiaries		0	4.253
Financial income		569	0
Financial expenses	2	-8.568	-7.635
Profit/loss before tax		1.640	-3.303
Tax on profit/loss for the year	3	-3.281	1.662
Net profit/loss for the year		-1.641	-1.641

Balance Sheet 30 September

Assets

	Note	Group 2017/18 TDKK	Parent 2017/18 TDKK
Costumer related assets		32.900	0
Goodwill		138.961	0
Technology based assets		9.300	0
Intangible assets	4	181.161	0
Plant and machinery		26.083	0
Other fixtures and fittings, tools and equipment		57	0
Property, plant and equipment in progress		370	0
Property, plant and equipment	5	26.510	0
Investments in subsidiaries	6	0	218.732
Fixed asset investments		0	218.732
Fixed assets		207.671	218.732
Inventories	7	25.604	0
Trade receivables		57.716	0
Receivables from group enterprises		0	5.422
Other receivables		2.422	0
Deferred tax asset	8	1.390	0
Receivables		61.528	5.422
Cash at bank and in hand		38.743	4.568
Currents assets		125.875	9.990
Assets		333.546	228.722

Balance Sheet 30 September

Liabilities and equity

	Note	Group 2017/18 TDKK	Parent 2017/18 TDKK
Share capital		745	745
Reserve for net revaluation under the equity method		0	4.253
Retained earnings		33.816	29.563
Equity		34.561	34.561
Credit institutions		125.693	73.322
Lease obligations		4.607	0
Payables to group enterprises		104.727	104.727
Long-term debt	10	235.027	178.049
Credit institutions	10	8.522	4.971
Lease obligations	10	2.309	0
Trade payables		17.115	0
Payables to group enterprises	10	0	29
Corporation tax		2.289	2.129
Other payables		33.723	8.983
Short-term debt		63.958	16.112
Debt		298.985	194.161
Liabilities and equity		333.546	228.722
Distribution of profit	9		
Contingent assets, liabilities and other financial obligations	13		
Subsequent events	14		
Accounting Policies	15		

Statement of Changes in Equity

Group

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK
Equity at 5 December	745	0	0	745
Cash payment concerning formation of entity	0	0	35.705	35.705
Exchange adjustments relating to foreign entities	0	0	-248	-248
Net profit/loss for the year	0	0	-1.641	-1.641
Equity at 30 September	745	0	33.816	34.561

Parent

Equity at 5 December	745	0	0	745
Cash payment concerning formation of entity	0	0	35.705	35.705
Exchange adjustments relating to foreign entities	0	0	-248	-248
Net profit/loss for the year	0	4.253	-5.894	-1.641
Equity at 30 September	745	4.253	29.563	34.561

Cash Flow Statement 5 December - 30 September

	Note	Group 2017/18 TDKK
Net profit/loss for the year		-1.641
Adjustments	11	25.713
Change in working capital	12	114
Cash flows from operating activities before financial income and expenses		24.186
Financial income		569
Financial expenses		-8.568
Cash flows from ordinary activities		16.187
Corporation tax paid		-6.990
Cash flows from operating activities		9.197
Purchase of property, plant and equipment		-970
Business acquisition		-243.296
Cash flows from investing activities		-244.266
Reduction of lease obligations		-1.579
Raising of loans from credit institutions		134.214
Raising of loans from group enterprises		104.727
Cash capital increase		36.450
Cash flows from financing activities		273.812
Change in cash and cash equivalents		38.743
Cash and cash equivalents at 5 December		0
Cash and cash equivalents at 30 September		38.743
Cash and cash equivalents are specified as follows:		
Cash at bank and in hand		38.743
Cash and cash equivalents at 30 September		38.743

Notes to the Financial Statements

	<u>Group</u>	<u>Parent</u>
	2017/18	2017/18
	TDKK	TDKK
1 Staff expenses		
Wages and salaries	32.726	3.178
Pensions	2.535	645
Other staff expenses	1.381	114
	<u>36.642</u>	<u>3.937</u>
 Including remuneration to the Executive Board of: Executive Board	 3.825	 3.825
	<u>3.825</u>	<u>3.825</u>
 Average number of employees	 <u>124</u>	 <u>3</u>
2 Financial expenses		
Interest paid to group enterprises	5.854	5.854
Other financial expenses	2.714	1.781
	<u>8.568</u>	<u>7.635</u>
3 Tax on profit/loss for the year		
Current tax for the year	4.671	-1.662
Deferred tax for the year	-1.390	0
	<u>3.281</u>	<u>-1.662</u>

Notes to the Financial Statements

4 Intangible assets

Group	Costumer related assets	Goodwill	Technology based assets
	TDKK	TDKK	TDKK
Net effect from merger and acquisition	35.000	146.967	10.000
Cost at 30 September	35.000	146.967	10.000
Amortisation for the year	2.100	8.006	700
Impairment losses and amortisation at 30 September	2.100	8.006	700
Carrying amount at 30 September	32.900	138.961	9.300
Amortised over	10 years	10 years	10 years

5 Property, plant and equipment

Group	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment in progress
	TDKK	TDKK	TDKK
Net effect from merger and acquisition	29.344	112	0
Additions for the year	540	0	370
Cost at 30 September	29.884	112	370
Depreciation for the year	3.801	55	0
Impairment losses and depreciation at 30 September	3.801	55	0
Carrying amount at 30 September	26.083	57	370
Including assets under finance leases amounting to	8.078	0	0

Notes to the Financial Statements

	Parent
	<u>2017/18</u>
	TDKK
6 Investments in subsidiaries	
Cost at 5 December	0
Additions for the year	<u>214.479</u>
Cost at 30 September	<u>214.479</u>
Net profit/loss for the year	16.225
Amortisation of goodwill	<u>-11.972</u>
Value adjustments at 30 September	<u>4.253</u>
Carrying amount at 30 September	<u>218.732</u>
Positive differences arising on initial measurement of subsidiaries at net asset value	<u>164.351</u>

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
Sjølund A/S	Kolding	500.000	100%

	Group	Parent
	<u>2017/18</u>	<u>2017/18</u>
	TDKK	TDKK
7 Inventories		
Raw materials and consumables	13.949	0
Work in progress	5.756	0
Finished goods and goods for resale	<u>5.899</u>	<u>0</u>
	<u>25.604</u>	<u>0</u>

Notes to the Financial Statements

	<u>Group</u>	<u>Parent</u>
	2017/18	2017/18
	TDKK	TDKK
8 Deferred tax asset		
Deferred tax asset at 5 December	0	0
Amounts recognised in the income statement for the year	1.390	0
Deferred tax asset at 30 September	1.390	0

The recognised tax asset mainly comprises to leasehold improvements and machinery.

	<u>Parent</u>
	2017/18
	TDKK
9 Distribution of profit	
Reserve for net revaluation under the equity method	4.253
Retained earnings	-5.894
	-1.641

Notes to the Financial Statements

10 Long-term debt

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

The debt falls due for payment as specified below:

	<u>Group</u>	<u>Parent</u>
	2017/18	2017/18
	TDKK	TDKK
Credit institutions		
After 5 years	53.438	53.438
Between 1 and 5 years	72.255	19.884
Long-term part	<u>125.693</u>	<u>73.322</u>
Other short-term debt to credit institutions	<u>8.522</u>	<u>4.971</u>
	<u>134.215</u>	<u>78.293</u>
Lease obligations		
Between 1 and 5 years	4.607	0
Long-term part	<u>4.607</u>	<u>0</u>
Within 1 year	<u>2.309</u>	<u>0</u>
	<u>6.916</u>	<u>0</u>
Payables to group enterprises		
After 5 years	104.727	104.727
Long-term part	<u>104.727</u>	<u>104.727</u>
Other short-term debt to group enterprises	<u>0</u>	<u>29</u>
	<u>104.727</u>	<u>104.756</u>

Notes to the Financial Statements

	Group
	<u>2017/18</u>
	TDKK
11 Cash flow statement - adjustments	
Financial income	-569
Financial expenses	8.568
Depreciation, amortisation and impairment losses, including losses and gains on sales	14.681
Tax on profit/loss for the year	3.281
Other adjustments	-248
	<u>25.713</u>

12 Cash flow statement - change in working capital

Change in inventories	-3.315
Change in receivables	2.956
Change in trade payables, etc	473
	<u>114</u>

	Group	Parent
	<u>2017/18</u>	<u>2017/18</u>
	TDKK	TDKK
13 Contingent assets, liabilities and other financial obligations		

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

Within 1 year	1.139	0
Between 1 and 5 years	377	0
	<u>1.516</u>	<u>0</u>
Lease commitments, non-cancellation period up to 147 months	41.078	0

Other contingent liabilities

The parent company has provided security for liabilities regarding credit institutions in Sjølund A/S. The liability of 30. September 2018 is DKK 55,922k

Notes to the Financial Statements

	<u>Group</u>	<u>Parent</u>
	2017/18	2017/18
	TDKK	TDKK
13 Contingent assets, liabilities and other financial obligations (continued)		

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 by the Group amounts to DKK 2,129k. 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.

14 Subsequent events

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

Notes to the Financial Statements

15 Accounting Policies

The Annual Report of Sjølund Management ApS for 2017/18 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The Consolidated and Parent Company Financial Statements for 2017/18 are presented in TDKK.

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.

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, Sjølund Management ApS, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associates.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

The Parent Company's investments in the consolidated subsidiaries are set off against the Parent Company's share of the net asset value of subsidiaries stated at the time of consolidation.

Business combinations

Acquisitions

On acquisition of subsidiaries, the difference between cost and net asset value of the enterprise acquired

Notes to the Financial Statements

15 Accounting Policies (continued)

is determined at the date of acquisition after the individual assets and liabilities having been adjusted to fair value (the purchase method). Cost comprises the fair value of the consideration paid as well as expenses for consultants etc directly related to the acquisition. Any remaining positive differences are recognised in intangible assets in the balance sheet as goodwill, which is amortised in the income statement on a straightline basis over its estimated useful life. Any remaining negative differences are recognised as income in the income statement at the date of acquisition.

Positive and negative differences from enterprises acquired may, due to changes to the recognition and measurement of net assets, be adjusted until the end of the financial year following the year of acquisition. These adjustments are also reflected in the value of goodwill or negative goodwill, including in amortisation already made. Moreover, any change in contingent consideration is adjusted in the value of goodwill or negative goodwill.

Amortisation of goodwill is recognised in “Amortisation, depreciation and impairment losses”.

Leases

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Group.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

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

Notes to the Financial Statements

15 Accounting Policies (continued)

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.

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 Group.

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.

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, expenses for raw materials and consumables and other external expenses.

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.

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.

Notes to the Financial Statements

15 Accounting Policies (continued)

Financial income and expenses

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

Tax on profit/loss for the year

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

The Company is jointly taxed with wholly owned Danish and foreign subsidiaries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Intangible assets

Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over its useful life, which is assessed at 10 years.

Customer related assets and technology based assets are measured at the lower of cost less accumulated amortisation and recoverable amount. Client relationships are amortised on a straight-line basis over its useful life, which is assessed at 10 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.

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognised in cost over the period of construction. All indirectly attributable borrowing expenses are recognised in the income statement.

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	5-8	years
Other fixtures and fittings, tools and equipment	3-5	years

Notes to the Financial Statements

15 Accounting Policies (continued)

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

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

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

Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method.

The item "Investments in subsidiaries" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with 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.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

Notes to the Financial Statements

15 Accounting Policies (continued)

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.

Deferred tax assets and liabilities

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

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

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

Current tax receivables and liabilities

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

Financial debts

Loans, such as loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Mortgage loans are measured at amortised cost, which for cash loans corresponds to the remaining loan. Amortised cost of debenture loans corresponds to the remaining loan calculated as the underlying cash value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the loan made over the term of the loan at the date of raising the loan.

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

Notes to the Financial Statements

15 Accounting Policies (continued)

Cash Flow Statement

The cash flow statement shows the Group's cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Group's cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise "Cash at bank and in hand".

The cash flow statement cannot be immediately derived from the published financial records.

Financial Highlights

Explanation of financial ratios

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