
SRO Cotes ApS

Mariane Thomsens Gade 2F, 11. 3, DK-8000 Aarhus
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Annual Report for 1 January - 31 December 2021

CVR No 39 76 56 75

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
28/06 2022

Thomas Rønnow
Chairman of the General
Meeting



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Management's Statement

The Executive Board has today considered and adopted the Annual Report of SRO Cotes ApS 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 and the Consolidated Financial Statements give a true and fair view of the financial position at 31 December 2021 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2021.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Aarhus, 28 June 2022

Executive Board

Laura Rønnow
CEO

Martin Brøchner-Mortensen
Executive Officer

Independent Auditor's Report

To the Shareholder of SRO Cotes 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 31 December 2021 and of the results of the Group's and the Parent Company's operations and of consolidated cash flows for the financial year 1 January - 31 December 2021 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of SRO Cotes ApS 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, 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' 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 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.

Independent Auditor's Report

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.
- 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

Independent Auditor's Report

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.

Aarhus, 28 June 2022

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Mads Meldgaard

statsautoriseret revisor

mne24826

Company Information

The Company

SRO Cotes ApS
Mariane Thomsens Gade 2F, 11. 3
DK-8000 Aarhus C

CVR No: 39 76 56 75
Financial period: 1 January - 31 December
Municipality of reg. office: Aarhus

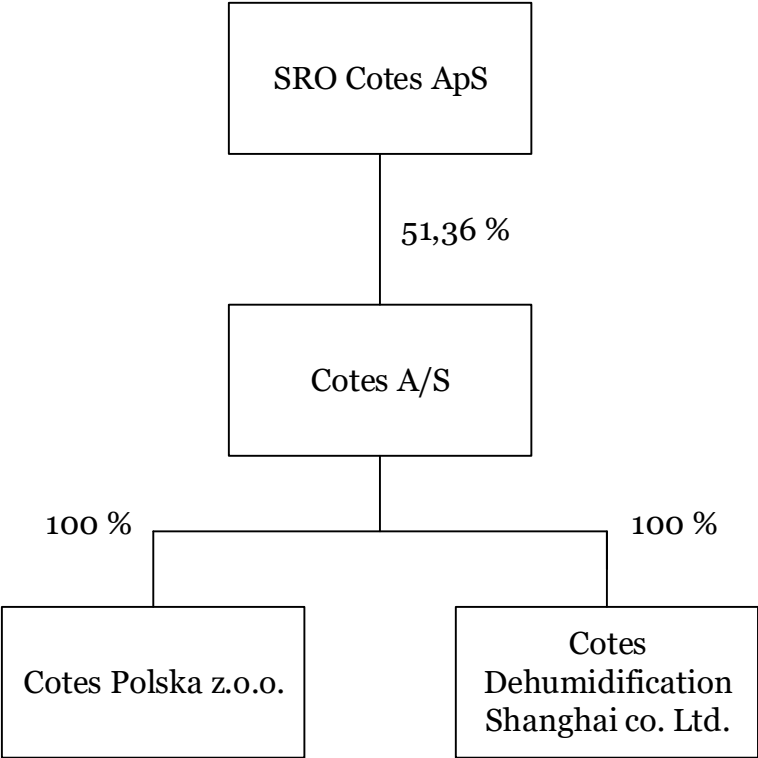
Executive Board

Laura Rønnow
Martin Brøchner-Mortensen

Auditors

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

Group Chart



Financial Highlights

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

	Group	
	2021 TDKK	2020 TDKK
Key figures		
Profit/loss		
Operating profit/loss	7.240	8.319
Profit/loss before financial income and expenses	7.578	9.846
Net financials	-1.230	-798
Net profit/loss for the year	4.475	6.846
Balance sheet		
Balance sheet total	69.240	66.714
Equity	28.912	25.473
Cash flows		
Cash flows from:		
- operating activities	12.376	-3.485
- investing activities	836	-829
including investment in property, plant and equipment	-576	-760
- financing activities	-7.296	4.295
Change in cash and cash equivalents for the year	5.916	-18
Number of employees	67	77
Ratios		
Return on assets	10,9%	14,8%
Solvency ratio	41,8%	38,2%
Return on equity	16,5%	31,2%

Management's Review

Key activities

The purpose of SRO Cotes is to function as a Holding Company by owning capital interests in other companies.

Development in the year

The income statement of the Group for 2021 shows a profit of DKK 4,474,837. The result is despite the circumstances regarding Covid-19, considered as satisfactory. The balance sheet of the Group shows positive equity of DKK 28,912,142.

In 2021 the Group continued to improve its product program, both in terms of current products and new products. Allocation of resources for product improvements is of high importance to the Group, as it ensures to maintain the high-quality level of the dehumidifiers and helps to meet any demand for changes coming from our customers. In 2021 the Group also established a new market segment in the product portfolio, Cotes Exergic Technology, and has experienced an increased demand of this ultradry-air solution for lithium-ion battery dry rooms.

The overall market for the Group, is considered to be a market of continuous growth. The company's currency risks are managed by a foreign exchange policy, where orders denominated in certain foreign currency are hedged by forward foreign exchange contracts. The products are subject to increasing prices of materials and longer lead times, which is the most significant uncertainty to the operating profit of 2022.

Particular risks

The overall market for the Group, is considered to be a market of continuous growth. The company's currency risks are managed by a foreign exchange policy, where orders denominated in certain foreign currency are hedged by forward foreign exchange contracts. The products are subject to increasing prices of materials and longer lead times, which is the most significant uncertainty to the operating profit of 2022.

Management's Review

The road ahead

The Group has embarked on a journey to become more sustainable and more responsible in the way we conduct business and deliver quality adsorption dehumidifiers to clients around the world. Our ambitions for the future begin with initiatives and projects that accelerate the sustainability journey towards Science-Based Targeting initiatives (SBTi) and with a dedicated focus on scope 1-3. Science-Based Targeting initiatives (SBTi) help us accelerate the transition towards an even greener business model and implement sustainable practices. Cotes has partnered up with SustainX and the Momentum Network to support and strengthen our focus and success with our sustainability journey.

The Group plans to continue to invest in product and market development in the coming years. The Group is part of moving towards a scalable sustainable growth and expect these goals to be implemented in 2024.

Subsequent events

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

Income Statement 1 January - 31 December

	Note	Koncern		Moderselskab	
		2021 DKK	2020 DKK	2021 DKK	2020 DKK
Gross profit/loss		40.320.146	42.765.557	-79.039	-47.500
Staff expenses	1	-30.591.339	-30.479.736	0	0
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	2	-2.140.368	-2.440.289	0	0
Other operating expenses		-10.003	0	0	0
Profit/loss before financial income and expenses		7.578.436	9.845.532	-79.039	-47.500
Income from investments in subsidiaries		0	0	2.956.378	3.371.474
Income from investments in associates		-833.798	186.488	0	0
Financial income		721.036	69.743	0	0
Financial expenses		-1.117.355	-1.054.397	-507.125	-634.788
Profit/loss before tax		6.348.319	9.047.366	2.370.214	2.689.186
Tax on profit/loss for the year	3	-1.873.482	-2.201.471	124.271	129.423
Net profit/loss for the year		4.474.837	6.845.895	2.494.485	2.818.609

Balance Sheet 31 December

Assets

	Note	Koncern		Morderselskab	
		2021 DKK	2020 DKK	2021 DKK	2020 DKK
Completed development projects		0	122.745	0	0
Acquired patents		78.172	11.767	0	0
Acquired other similar rights		355.205	42.570	0	0
Goodwill		17.887.330	19.263.280	0	0
Development projects in progress		1.458.745	1.123.936	0	0
Intangible assets	4	19.779.452	20.564.298	0	0
Other fixtures and fittings, tools and equipment		1.238.016	1.234.177	0	0
Leasehold improvements		83.718	126.750	0	0
Property, plant and equipment	5	1.321.734	1.360.927	0	0
Investments in subsidiaries	6	0	0	27.804.186	27.056.288
Investments in associates	7	591.602	1.538.200	0	0
Other receivables	8	926.146	990.469	0	0
Fixed asset investments		1.517.748	2.528.669	27.804.186	27.056.288
Fixed assets		22.618.934	24.453.894	27.804.186	27.056.288
Inventories	9	16.502.570	12.671.460	0	0

Balance Sheet 31 December

Assets

	Note	Koncern		Morderselskab	
		2021 DKK	2020 DKK	2021 DKK	2020 DKK
Trade receivables		16.183.243	20.035.479	0	0
Contract work in progress	10	265.632	20.351	0	0
Receivables from associates		1.227.215	3.562.894	0	0
Other receivables		5.072.544	4.323.598	0	0
Corporation tax		0	0	138.397	35.423
Prepayments	11	494.983	687.623	0	0
Receivables		23.243.617	28.629.945	138.397	35.423
Cash at bank and in hand		6.874.890	959.195	142.181	11.940
Currents assets		46.621.077	42.260.600	280.578	47.363
Assets		69.240.011	66.714.494	28.084.764	27.103.651

Balance Sheet 31 December

Liabilities and equity

	Note	Koncern		Moderselskab	
		2021 DKK	2020 DKK	2021 DKK	2020 DKK
Share capital		50.000	50.000	50.000	50.000
Reserve for development costs		501.388	316.602	0	0
Retained earnings		18.969.090	17.017.954	19.470.478	17.334.556
Equity attributable to shareholders of the Parent Company		19.520.478	17.384.556	19.520.478	17.384.556
Minority interests		9.391.664	8.088.737	0	0
Equity		28.912.142	25.473.293	19.520.478	17.384.556
Provision for deferred tax	13	634.251	633.496	0	0
Provisions		634.251	633.496	0	0
Credit institutions		3.832.684	5.518.367	0	0
Corporation tax		3.141.709	0	0	0
Other payables		7.809.423	9.542.196	5.540.272	7.190.067
Long-term debt	14	14.783.816	15.060.563	5.540.272	7.190.067
Credit institutions	14	1.456.889	7.183.340	0	0
Prepayments received from customers		0	14.153	0	0
Trade payables		9.664.199	4.963.272	70.500	7.750
Payables to associates		119.108	788.317	0	0
Payables to owners and Management		50	50	50	50
Corporation tax	14	4.967.238	2.265.381	0	0
Other payables	14	8.702.318	9.652.308	2.953.464	2.521.228
Deferred income	15	0	680.321	0	0
Short-term debt		24.909.802	25.547.142	3.024.014	2.529.028
Debt		39.693.618	40.607.705	8.564.286	9.719.095
Liabilities and equity		69.240.011	66.714.494	28.084.764	27.103.651
Distribution of profit	12				
Contingent assets, liabilities and other financial obligations	18				
Accounting Policies	19				

Statement of Changes in Equity

Koncern

	Share capital	Reserve for development costs	Retained earnings	Equity excl. minority interests	Minority interests	Total
	DKK	DKK	DKK	DKK	DKK	DKK
Equity at 1 January	50.000	316.602	15.642.005	16.008.607	8.088.737	24.097.344
Net effect from change of accounting policy	0	0	1.375.949	1.375.949	0	1.375.949
Adjusted equity at 1 January	50.000	316.602	17.017.954	17.384.556	8.088.737	25.473.293
Exchange adjustments	0	0	86.289	86.289	81.719	168.008
Ordinary dividend paid	0	0	0	0	-845.433	-845.433
Extraordinary dividend paid	0	0	-358.563	-358.563	0	-358.563
Transfers, reserves	0	184.786	-184.786	0	0	0
Net profit/loss for the year	0	0	2.408.196	2.408.196	2.066.641	4.474.837
Equity at 31 December	50.000	501.388	18.969.090	19.520.478	9.391.664	28.912.142

Moderselskab

Equity at 1 January	50.000	0	18.278.293	18.328.293	0	18.328.293
Net effect from change of accounting policy	0	0	-943.737	-943.737	0	-943.737
Adjusted equity at 1 January	50.000	0	17.334.556	17.384.556	0	17.384.556
Extraordinary dividend paid	0	0	-358.563	-358.563	0	-358.563
Net profit/loss for the year	0	0	2.494.485	2.494.485	0	2.494.485
Equity at 31 December	50.000	0	19.470.478	19.520.478	0	19.520.478

Cash Flow Statement 1 January - 31 December

	Note	Koncern	
		2021 DKK	2020 DKK
Net profit/loss for the year		4.474.837	6.845.895
Adjustments	16	5.526.527	5.557.870
Change in working capital	17	2.878.907	-12.908.909
Cash flows from operating activities before financial income and expenses		12.880.271	-505.144
Financial income		721.036	69.742
Financial expenses		-1.119.602	-1.052.149
Cash flows from ordinary activities		12.481.705	-1.487.551
Corporation tax paid		-105.916	-1.997.148
Cash flows from operating activities		12.375.789	-3.484.699
Purchase of intangible assets		-745.402	-68.196
Purchase of property, plant and equipment		-575.926	-760.441
Fixed asset investments made etc		2.066.641	0
Sale of property, plant and equipment		5.000	0
Sale of fixed asset investments etc		85.835	0
Cash flows from investing activities		836.148	-828.637
Repayment of loans from credit institutions		-7.304.247	-921.675
Repayment of payables to associates		-669.209	788.317
Repayment of other long-term debt		-2.066.641	0
Raising of other long-term debt		3.102.418	4.483.992
Dividend paid		-358.563	-55.300
Cash flows from financing activities		-7.296.242	4.295.334
Change in cash and cash equivalents		5.915.695	-18.002
Cash and cash equivalents at 1 January		959.195	977.197
Cash and cash equivalents at 31 December		6.874.890	959.195
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		6.874.890	959.195
Cash and cash equivalents at 31 December		6.874.890	959.195

Notes to the Financial Statements

	Koncern		Moterselskab	
	2021 DKK	2020 DKK	2021 DKK	2020 DKK
1 Staff expenses				
Wages and salaries	25.432.571	26.034.580	0	0
Pensions	1.560.525	1.634.295	0	0
Other social security expenses	388.947	470.450	0	0
Other staff expenses	3.209.296	2.340.411	0	0
	30.591.339	30.479.736	0	0
Average number of employees	67	77	0	0
2 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment				
Amortisation of intangible assets	1.530.249	1.788.190	0	0
Depreciation of property, plant and equipment	586.949	652.099	0	0
Impairment of property, plant and equipment	23.046	0	0	0
Gain and loss on disposal	124	0	0	0
	2.140.368	2.440.289	0	0
3 Tax on profit/loss for the year				
Current tax for the year	1.876.959	2.302.423	-124.271	-129.423
Deferred tax for the year	755	-100.933	0	0
Adjustment of deferred tax concerning previous years	-4.232	-19	0	0
	1.873.482	2.201.471	-124.271	-129.423

Notes to the Financial Statements

4 Intangible assets

Koncern

	Completed development projects	Acquired pa- tents	Acquired other similar rights	Goodwill	Development projects in progress
	DKK	DKK	DKK	DKK	DKK
Cost at 1 January	3.384.023	19.356	128.342	22.015.176	2.389.670
Additions for the year	0	73.612	336.983	0	334.809
Cost at 31 December	3.384.023	92.968	465.325	22.015.176	2.724.479
Impairment losses and amortisation at 1 January	3.261.278	7.589	85.772	2.751.897	1.265.734
Amortisation for the year	122.745	7.207	24.348	1.375.949	0
Impairment losses and amortisation at 31 December	3.384.023	14.796	110.120	4.127.846	1.265.734
Carrying amount at 31 December	0	78.172	355.205	17.887.330	1.458.745

Development projects relate to the development of new versions of the Company's existing products. The projects are expected to be completed in 2022-23. The projects are progressing according to plan using the resources allocated by Management to the development. The products are expected to be sold in the present market to the Company's existing customers. Prior to the initiation of the projects, the Company inquired of its customers as to the need for an updated program, which was well received.

Notes to the Financial Statements

5 Property, plant and equipment

Koncern

	Other fixtures and fittings, tools and equipment	Leasehold improvements
	<u>DKK</u>	<u>DKK</u>
Cost at 1 January	3.452.209	1.579.731
Additions for the year	451.817	124.109
Disposals for the year	-21.959	0
Cost at 31 December	<u>3.882.067</u>	<u>1.703.840</u>
Impairment losses and depreciation at 1 January	2.218.032	1.452.981
Impairment losses for the year	23.046	0
Depreciation for the year	419.808	167.141
Impairment and depreciation of sold assets for the year	-16.835	0
Impairment losses and depreciation at 31 December	<u>2.644.051</u>	<u>1.620.122</u>
Carrying amount at 31 December	<u>1.238.016</u>	<u>83.718</u>

Notes to the Financial Statements

	Moderselskab	
	2021 DKK	2020 DKK
6 Investments in subsidiaries		
Cost at 1 January	28.000.000	28.000.000
Cost at 31 December	28.000.000	28.000.000
Value adjustments at 1 January	-943.712	0
Net effect from change of accounting policy	0	-3.651.652
Net profit/loss for the year	4.332.327	4.747.423
Dividend to the Parent Company	-2.208.480	-744.720
Other equity movements, net	0	81.186
Amortisation of goodwill	-1.375.949	-1.375.949
Value adjustments at 31 December	-195.814	-943.712
Carrying amount at 31 December	27.804.186	27.056.288
Remaining positive difference included in the above carrying amount at 31 December	17.887.330	19.263.280

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
Cotes A/S	Aarhus	1.325.000	51,36%

Notes to the Financial Statements

	Koncern		Moderselskab	
	2021	2020	2021	2020
	DKK	DKK	DKK	DKK
7 Investments in associates				
Cost at 1 January	1.990.863	1.990.863	0	0
Cost at 31 December	1.990.863	1.990.863	0	0
Value adjustments at 1 January	-452.663	-300.000	0	0
Revaluations for the year, net	-946.598	-152.663	0	0
Value adjustments at 31 December	-1.399.261	-452.663	0	0
Carrying amount at 31 December	591.602	1.538.200	0	0

Investments in associates are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
F-Tech AS	Norway	NOK 100.000	25%

8 Other fixed asset investments

	Koncern
	Other receivables
	DKK
Cost at 1 January	990.469
Additions for the year	21.512
Disposals for the year	-85.835
Cost at 31 December	926.146
Carrying amount at 31 December	926.146

Notes to the Financial Statements

	Koncern		Moderselskab	
	2021	2020	2021	2020
	DKK	DKK	DKK	DKK
9 Inventories				
Raw materials and consumables	13.673.412	7.119.114	0	0
Finished goods and goods for resale	2.829.158	5.552.346	0	0
	16.502.570	12.671.460	0	0

10 Contract work in progress

Selling price of work in progress	265.632	20.351	0	0
	265.632	20.351	0	0

11 Prepayments

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

	Koncern		Moderselskab	
	2021	2020	2021	2020
	DKK	DKK	DKK	DKK
12 Distribution of profit				
Extraordinary dividend paid	358.563	55.300	358.563	55.300
Minority interests' share of net profit/loss of subsidiaries	2.066.641	4.027.286	0	0
Retained earnings	2.049.633	2.763.309	2.135.922	2.763.309
	4.474.837	6.845.895	2.494.485	2.818.609

13 Provision for deferred tax

Provision for deferred tax at 1 January	633.496	734.429	0	0
Amounts recognised in the income statement for the year	755	-100.933	0	0
Provision for deferred tax at 31 December	634.251	633.496	0	0

Notes to the Financial Statements

14 Long-term debt

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

The debt falls due for payment as specified below:

	Koncern		Moderselskab	
	2021 DKK	2020 DKK	2021 DKK	2020 DKK
Credit institutions				
Between 1 and 5 years	3.832.684	5.518.367	0	0
Long-term part	<u>3.832.684</u>	<u>5.518.367</u>	<u>0</u>	<u>0</u>
Within 1 year	1.322.719	1.287.020	0	0
Other short-term debt to credit institutions	134.170	5.896.320	0	0
Short-term part	<u>1.456.889</u>	<u>7.183.340</u>	<u>0</u>	<u>0</u>
	<u>5.289.573</u>	<u>12.701.707</u>	<u>0</u>	<u>0</u>
Corporation tax				
Between 1 and 5 years	3.141.709	0	0	0
Long-term part	<u>3.141.709</u>	<u>0</u>	<u>0</u>	<u>0</u>
Within 1 year	4.967.238	2.265.381	0	0
	<u>8.108.947</u>	<u>2.265.381</u>	<u>0</u>	<u>0</u>
Other payables				
Between 1 and 5 years	7.809.423	9.542.196	5.540.272	7.190.067
Long-term part	<u>7.809.423</u>	<u>9.542.196</u>	<u>5.540.272</u>	<u>7.190.067</u>
Within 1 year	2.022.413	2.289.597	2.022.413	2.289.597
Other short-term payables	6.679.905	7.362.711	931.051	231.631
Short-term part	<u>8.702.318</u>	<u>9.652.308</u>	<u>2.953.464</u>	<u>2.521.228</u>
	<u>16.511.741</u>	<u>19.194.504</u>	<u>8.493.736</u>	<u>9.711.295</u>

15 Deferred income

Deferred income consists of payments received in respect of income in subsequent years.

Notes to the Financial Statements

	Koncern	
	2021	2020
	DKK	DKK
16 Cash flow statement - adjustments		
Financial income	-721.036	-69.743
Financial expenses	1.117.355	1.054.397
Depreciation, amortisation and impairment losses, including losses and gains on sales	2.140.244	2.440.289
Income from investments in associates	833.798	-186.488
Tax on profit/loss for the year	1.873.482	2.201.471
Other adjustments	282.684	117.944
	5.526.527	5.557.870
17 Cash flow statement - change in working capital		
Change in inventories	-3.831.110	-1.413.098
Change in receivables	5.386.327	-17.722.739
Change in trade payables, etc	1.323.690	6.226.928
	2.878.907	-12.908.909

Notes to the Financial Statements

	Koncern		Morderselskab	
	2021	2020	2021	2020
	DKK	DKK	DKK	DKK
18 Contingent assets, liabilities and other financial obligations				
Charges and security				
The following assets have been placed as security with bankers:				
Floating charge, DKK 14,000k, in intangible rights, inventories, trade receivables and property, plant and equipments with a carrying amount	28.936.980	26.444.449	0	0
Rental and lease obligations				
Lease obligations under operating leases. Total future lease payments:				
Within 1 year	316.597	511.805	0	0
Between 1 and 5 years	233.380	138.495	0	0
	549.977	650.300	0	0
Obligation to designate buyer, operating leases. Expected residual value				
on expiry agreement	0	49.458	0	0
Lease obligations, period of non-terminability 3-35 months	2.640.146	3.981.606	0	0
Other contingent liabilities				

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

Notes to the Financial Statements

19 Accounting Policies

The Annual Report of SRO Cotes ApS for 2021 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 2021 are presented in DKK.

Changes in accounting policies

SRO Cotes ApS have changed accounting policies for investment in subsidiaries to be recognised and measured under the equity method. The effect of the change is an increase of net profit at TDKK 749 (2020: TDKK 2,627). Further the balance sheet total is charged with DKK 196 (2020: TDKK 945). The effect on equity is total 196 (2020: TDKK 945). The change has no effect on the cash flow.

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, SRO Cotes 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 Compa-

Notes to the Financial Statements

19 Accounting Policies (continued)

ny's share of the net asset value of subsidiaries stated at the time of consolidation.

Minority interests

Minority interests form part of the Group's total equity. Upon distribution of net profit, net profit is broken down on the share attributable to minority interests and the share attributable to the shareholders of the Parent Company. Minority interests are recognised on the basis of a remeasurement of acquired assets and liabilities to fair value at the time of acquisition of subsidiaries.

On subsequent changes to minority interests where the Group retains control of the subsidiary, the consideration is recognised directly in equity.

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.

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.

Services are recognised at the rate of completion of the service to which the contract relates by using the percentage-of-completion method, which means that revenue equals the selling price of the service completed for the year. This method is applied when total revenues and expenses in respect of the service 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 Group. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the service.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of

Notes to the Financial Statements

19 Accounting Policies (continued)

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, work on own account recognised in assets, other operating income, 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.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Group, including gains and losses on the sale of intangible assets and property, plant and equipment.

Income from investments in associates

The item "Income from investments in associates" 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

19 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 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 5 years.

Patents and licences are measured at the lower of cost less accumulated amortisation and recoverable amount. Patents are amortised over the remaining patent period, and licences are amortised over the licence period; however not exceeding 2-5 years.

Development costs and costs relating to rights developed by the Company are recognised in the income statement as costs in the year of acquisition.

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.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other fixtures and fittings, tools and equipment	3-5	years
Leasehold improvements	3-5	years

The fixed assets' residual values are determined at nil.

Notes to the Financial Statements

19 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 associates

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

The item "Investments in associates" 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 associates 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 associates.

Associates 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.

Other fixed asset investments

Other fixed asset investments consist of deposits.

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 indi-

Notes to the Financial Statements

19 Accounting Policies (continued)

rect 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.

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 regarding service is measured at selling price of the work performed calculated on the basis of the stage of completion. The stage of completion is measured by the proportion that the contract expenses incurred to date bear to the estimated total contract expenses. Where it is probable that total contract expenses will exceed total revenues from a contract, the expected loss is recognised as an expense in the income statement.

Where the selling price cannot be measured reliably, the selling price is measured at the lower of expenses incurred and net realisable value.

Payments received on account are set off against the selling price. The individual contracts are classified as receivables when the net selling price is positive and as liabilities when the net selling price is negative.

Expenses relating to sales work and the winning of contracts are recognised in the income statement as incurred.

Prepayments

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

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

Notes to the Financial Statements

19 Accounting Policies (continued)

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 mortgage loans and 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.

Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

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 as-

Notes to the Financial Statements

19 Accounting Policies (continued)

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