ProCon Group ApS

Klamsagervej 16, 1., DK-8230 Åbyhøj

Annual Report for 19 December 2018 - 31 December 2019

CVR No 40 10 70 10

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 28/2 2020

Carl Erik Skovgaard
Chairman of the General Meeting

Contents

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of ProCon Group ApS for the financial year 19 December 2018 - 31 December 2019.

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 2019 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2018/19.

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

Åbyhøj, 28 February 2020

Executive Board

Claus Jørgen Søgaard Poulsen

Board of Directors

Lars Kramer	Claus Jørgen Søgaard Poulsen	Frederik Søgaard Poulsen
Klaus Toftgaard Spens	Carl Erik Skovgaard	

Independent Auditor's Report

To the Shareholder of ProCon Group 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 2019 and of the results of the Group's and the Parent Company's operations and of consolidated cash flows for the financial year 19 December 2018 - 31 December 2019 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of ProCon Group ApS for the financial year 19 December 2018 - 31 December 2019, 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 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 February 2020
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Lars Greve Jensen
statsautoriseret revisor
mne32199

Company Information

The Company	ProCon Group ApS Klamsagervej 16, 1. DK-8230 Åbyhøj CVR No: 40 10 70 10 Financial period: 19. december 2018 - 31. december 2019 Municipality of reg. office: Aarhus
Board of Directors	Lars Kramer Claus Jørgen Søgaard Poulsen Frederik Søgaard Poulsen Klaus Toftgaard Spens Carl Erik Skovgaard
Executive Board	Claus Jørgen Søgaard Poulsen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Nobelparken Jens Chr. Skous Vej 1 DK-8000 Aarhus C

Financial Highlights

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

	Group 2018/19 TDKK
Key figures	
Profit/loss	
Operating profit/loss	4,764
Profit/loss before financial income and expenses	4,764
Net financials	-2,916
Profit/loss from discontinuing activities	-1,304
Net profit/loss for the year	13
Balance sheet	
Balance sheet total	57,190
Equity	-1,427
Cash flows	
Cash flows from:	
- operating activities	-10,907
- investing activities	-31,916
including investment in property, plant and equipment	-2,663
- financing activities	44,059
Change in cash and cash equivalents for the year	1,236
Number of employees	26
Ratios	
Return on assets	8.3%
Solvency ratio	-2.5%
Return on equity	-1.8%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

Management's Review

The annual report for ProCon Group ApS for 2018/19 has been prepared in accordance with the provisions of the Danish Financial Statements Act for medium-sized companies in accounting class C.

Group activities

ProCon Group ApS' main activity is the ownership of ProCon Wind Energy A/S and ProCon Technic A/S. ProCon Wind Energy A/S are specialists in providing custom-built electrical solutions and technical equipment to the global wind industry, both onshore and offshore. ProCon Technic A/S are developing solar power projects as well as other activities within renewables.

Departments & knowledge resources

The most important knowledge resources are related to considerable competence in the development, design and production and marketing of electrical engineering solutions for the global wind industry, solar power and other renewables.

Development in the year

The Group's income statement for 2018/19 shows a result of 12,991, and an equity at December 31, 2019 of DKK -1,426,740. The Parent company income statement for 2018/2019 shows a result of 9,265 and an equity at December 31, 2019 of DKK -1,462,723.

Management considers revenue development and profit to be satisfactory.

Uncertainty relating to recognition and measurement

There are no circumstances that have led to significant uncertainty in recognition and measurement.

Research and development

In addition to the continuous development of electrical engineering solutions for the global wind industry, there is considerable activity in connection with technical product adaptation to specific customer requirements.

External environment

ProCon Group considers environmentally responsible behavior as one of the prerequisites for future business success. ProCon Group constantly develops products and processes to minimize the impact on the external environment.

Events after the balance sheet date

No circumstances have occurred after the balance sheet date that have a material impact on the assessment of the annual report.

Future Activities & Expectations for the coming year

ProCon Group ApS expects increased activity and revenue in 2020 as well as a satisfactory result.

Management's Review

Special risks - operating risks and financial risks

Operating risks

ProCon Group's sales are mainly order sales though own channels in Europe. Geographically, the risk is sought to be spread through an increased focus on acquiring knowledge of the ProCon Wind Energy and ProCon Technic brands by building and developing good relationships with the leading players in renewables globally.

Foreign exchange risks

Foreign currency purchases and sales are primarily in EUR and GBP. Exchange rate developments are estimated to have some influence on the company's results. ProCon Group does not currently use financial instruments to hedge this risk.

Interest rate risks

It is the company's policy to identify all significant financial risks. ProCon Group uses financial instruments to hedge against significant interest rate increases where relevant and significant.

Credit risks

Credit risk is linked to trade receivables. The amounts with which the said balance sheet items are included in the annual report are identical to the maximum risk.

Income Statement
19 December 2018 - 31 December 2019

	Note	Group 2018/19 DKK	Parent 2018/19 DKK
Gross profit/loss		**28,557,852**	**-177,115**
Staff expenses	2	-20,697,371	0
EBITDA		**7,860,481**	**-177,115**
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-3,096,799	0
Profit/loss before financial income and expenses		**4,763,682**	**-177,115**
Income from investments in subsidiaries		0	1,333,649
Financial income		113,671	0
Financial expenses		-3,030,081	-1,520,813
Profit/loss before tax		**1,847,272**	**-364,279**
Tax on profit/loss for the year	3	-530,120	373,544
Profit/loss from continuing activities		**1,317,152**	**9,265**
Profit/loss from discontinuing activities	4	-1,304,161	0
Net profit/loss for the year		**12,991**	**9,265**

Balance Sheet 31 December 2019

Assets

	Note	Group 2019 DKK	Parent 2019 DKK
Acquired licenses		242,394	0
Goodwill		25,796,667	0
Intangible assets	5	**26,039,061**	**0**
Other fixtures and fittings, tools and equipment		2,095,392	0
Leasehold improvements		63,039	0
Property, plant and equipment	6	**2,158,431**	**0**
Investments in subsidiaries	7	0	27,779,403
Deposits	8	56,213	0
Fixed asset investments		**56,213**	**27,779,403**
Fixed assets		**28,253,705**	**27,779,403**
Inventories		**193,312**	**0**
Trade receivables		22,710,182	0
Contract work in progress		1,902,200	0
Other receivables		1,226,003	0
Deferred tax asset	11	1,225,014	373,544
Prepayments	9	343,347	0
Receivables		**27,406,746**	**373,544**
Cash at bank and in hand		**1,236,362**	**71**
Assets relating to discontinued activities	4	**99,995**	**0**
Currents assets		**28,936,415**	**373,615**
Assets		**57,190,120**	**28,153,018**

Balance Sheet 31 December 2019

Liabilities and equity

	Note	Group 2019 DKK	Parent 2019 DKK
Share capital		50,000	50,000
Retained earnings		-1,512,723	-1,512,723
Equity attributable to shareholders of the Parent Company		**-1,462,723**	**-1,462,723**
Minority interests		35,983	0
Equity		**-1,426,740**	**-1,462,723**
Provision for deferred tax	11	955,602	0
Provisions		**955,602**	**0**
Other payables		34,121,359	26,716,902
Long-term debt	12	**34,121,359**	**26,716,902**
Credit institutions		11,239,404	0
Trade payables		3,084,194	0
Contract work in progress, liabilities		3,399,898	0
Payables to group enterprises		0	902,000
Corporation tax		427	0
Other payables	12	5,424,741	1,996,839
Liabilities relating to discontinued activities	4	391,235	0
Short-term debt		**23,539,899**	**2,898,839**
Debt		**57,661,258**	**29,615,741**
Liabilities and equity		**57,190,120**	**28,153,018**
Going concern	1		
Distribution of profit	10		
Contingent assets, liabilities and other financial obligations	15		
Accounting Policies	16		

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Statement of Changes in Equity

Group

	Share capital	Retained earnings	Equity excl. minority interests	Minority interests	Total
	DKK	DKK	DKK	DKK	DKK
Cash payment concerning formation of entity	50,000	0	50,000	0	50,000
Other equity movements	0	-1,521,988	-1,521,988	32,257	-1,489,731
Net profit/loss for the year	0	9,265	9,265	3,726	12,991
Equity at 31 December 2019	**50,000**	**-1,512,723**	**-1,462,723**	**35,983**	**-1,426,740**

Parent

	Share capital	Retained earnings	Equity excl. minority interests	Minority interests	Total
Cash payment concerning formation of entity	50,000	0	50,000	0	50,000
Other equity movements	0	-1,521,988	-1,521,988	0	-1,521,988
Net profit/loss for the year	0	9,265	9,265	0	9,265
Equity at 31 December 2019	**50,000**	**-1,512,723**	**-1,462,723**	**0**	**-1,462,723**

Cash Flow Statement 19 December - 31 December

	Note	Group 2018/19 DKK
Net profit/loss for the year		12,991
Adjustments	13	6,171,610
Change in working capital	14	-14,174,975
Cash flows from operating activities before financial income and expenses		**-7,990,374**
Financial income		113,671
Financial expenses		-3,030,080
Cash flows from operating activities		**-10,906,783**
Purchase of intangible assets		-28,689,269
Purchase of property, plant and equipment		-2,663,128
Fixed asset investments made etc		-56,213
Sale of property, plant and equipment		60,000
Sale of fixed asset investments etc		32,259
Business acquisition		-600,000
Cash flows from investing activities		**-31,916,351**
Raising of loans from credit institutions		9,888,137
Raising of other long-term debt		34,121,359
Cash capital increase		50,000
Cash flows from financing activities		**44,059,496**
Change in cash and cash equivalents		**1,236,362**
Cash and cash equivalents at 19 December 2018		0
Cash and cash equivalents at 31 December 2019		**1,236,362**
Cash and cash equivalents are specified as follows:		
Cash at bank and in hand		1,236,362
Cash and cash equivalents at 31 December 2019		**1,236,362**

Notes to the Financial Statements

1 Going concern

Equity is negative at 31 December 2019. Company management expects equity to be restored by future earnings or alternatively through debt conversion.

	Group	Parent
	2018/19	2018/19
	DKK	DKK
2 Staff expenses		
Wages and salaries	17,521,209	0
Pensions	2,432,286	0
Other social security expenses	183,737	0
Other staff expenses	560,139	0
	20,697,371	**0**
Average number of employees	**26**	**0**

3 Tax on profit/loss for the year

Current tax for the year	0	0
Deferred tax for the year	530,120	-373,544
	530,120	**-373,544**

Notes to the Financial Statements

	Group
	2018/19
	DKK
4 Discontinuing activities	
Gross profit/loss	**-528,870**
Staff expenses	-1,118,711
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	-15,320
Profit/loss before tax	**-1,662,901**
Tax on profit/loss for the year	358,740
Profit/loss from discontinuing activities	**-1,304,161**
Fixed asset investments	32,500
Fixed assets	**32,500**
Receivables	67,495
Currents assets	**67,495**
Assets relating to discontinued activities	**99,995**
Debt	391,235
Liabilities relating to discontinued activities	**391,235**

Notes to the Financial Statements

5 Intangible assets

Group

	Acquired licenses	Goodwill
	DKK	DKK
Cost at 19 December 2018	0	0
Additions for the year	289,269	28,400,000
Cost at 31 December 2019	289,269	28,400,000
Impairment losses and amortisation at 19 December 2018	0	0
Amortisation for the year	46,875	2,603,333
Impairment losses and amortisation at 31 December 2019	46,875	2,603,333
Carrying amount at 31 December 2019	**242,394**	**25,796,667**
Amortised over	10 years	10 years

6 Property, plant and equipment

Group

	Other fixtures and fittings, tools and equipment	Leasehold improvements
	DKK	DKK
Cost at 19 December 2018	0	0
Additions for the year	2,597,609	65,520
Disposals for the year	-59,167	0
Cost at 31 December 2019	2,538,442	65,520
Impairment losses and depreciation at 19 December 2018	0	0
Depreciation for the year	443,050	2,481
Impairment losses and depreciation at 31 December 2019	443,050	2,481
Carrying amount at 31 December 2019	**2,095,392**	**63,039**
Depreciated over	3-5 years	10 years

Notes to the Financial Statements

	Parent
	2019
	DKK

7 Investments in subsidiaries

Cost at 19 December 2018	0
Additions for the year	27,967,742
Cost at 31 December 2019	27,967,742
Value adjustments at 19 December 2018	0
Net profit/loss for the year	1,333,649
Other equity movements, net	-1,521,988
Value adjustments at 31 December 2019	-188,339
Carrying amount at 31 December 2019	**27,779,403**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Votes and ownership
ProCon Technic A/S	Aarhus	100%
ProCon Wind Energy A/S	Aarhus	100%
ProCon Wind Energy LtD	Storbritanien	100%
ProCon Wind Energy GmbH	Tyskland	100%
ProCon Wind Energy Sp.z.o.o.	Polen	100%
ProCon Wind Energy Taiwan Co. Ltd., (under registration)	Taiwan	0%

8 Other fixed asset investments

	Group
	Deposits
	DKK
Cost at 19 December 2018	56,213
Cost at 31 December 2019	56,213
Carrying amount at 31 December 2019	**56,213**

Notes to the Financial Statements

9 Prepayments

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

	Group	Parent
	2018/19	2018/19
	DKK	DKK

10 Distribution of profit

	Group 2018/19 DKK	Parent 2018/19 DKK
Minority interests' share of net profit/loss of subsidiaries	3,726	0
Retained earnings	9,265	9,265
	12,991	**9,265**

11 Provision for deferred tax

	Group 2018/19 DKK	Parent 2018/19 DKK
Provision for deferred tax at 19 December 2018	0	0
Amounts recognised in the income statement for the year	-171,380	-373,544
Amounts recognised in equity for the year	-98,032	0
Provision for deferred tax at 31 December 2019	**-269,412**	**-373,544**

12 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:

Other payables

	Group 2018/19 DKK	Parent 2018/19 DKK
After 5 years	16,586,667	14,385,000
Between 1 and 5 years	17,534,692	12,331,902
Long-term part	34,121,359	26,716,902
Within 1 year	2,465,298	1,668,098
Other short-term payables	2,959,442	328,741
Short-term part	5,424,740	1,996,839
	39,546,099	**28,713,741**

Notes to the Financial Statements

	Group
	2018/19
	DKK
13 Cash flow statement - adjustments	
Financial income	-113,671
Financial expenses	3,030,081
Depreciation, amortisation and impairment losses, including losses and gains on sales	3,094,906
Tax on profit/loss for the year	160,294
	6,171,610

14 Cash flow statement - change in working capital	
Change in inventories	-193,312
Change in receivables	-22,710,182
Change in trade payables, etc	8,728,519
	-14,174,975

	Group	Parent
	2019	2019
	DKK	DKK
15 Contingent assets, liabilities and other financial obligations		
Charges and security		
The following assets have been placed as security with bankers:		
Ownership mortgages totaling DKK 17,500,000, providing mortgages on goods receivables, inventory, intellectual property rights and other tangible fixed assets at a total carrying amount of	58,022,568	0
Rental and lease obligations		
The Company has entered into leasing and lease commitments for a total of TDKK:	1,553,815	0

Notes to the Financial Statements

15 Contingent assets, liabilities and other financial obligations (continued)

Other contingent liabilities

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. 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

16 Accounting Policies

The Annual Report of ProCon Group ApS for 2018/19 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 2018/19 are presented in DKK.

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, ProCon Group 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.

Notes to the Financial Statements

16 Accounting Policies (continued)

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.

Business acquisitions carried through on or after 1 July 2018

Minority interests are initially measured at their proportionate share of the fair value of the acquired entity's identifiable net assets. In this way, only goodwill related to the Parent Company's share of the entity acquired is recognised.

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

Notes to the Financial Statements

16 Accounting Policies (continued)

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 discounts relating to sales.

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Income from investments in subsidiaries

The item “Income from investments in subsidiaries” in the income statement includes the proportionate share of the profit for the year.

Financial income and expenses

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

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.

Notes to the Financial Statements

16 Accounting Policies (continued)

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.

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 3 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:

Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	10 years

Depreciation period and residual value are reassessed annually.

Assets costing less than DKK 13,800 are expensed in the year of acquisition.

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.

Notes to the Financial Statements

16 Accounting Policies (continued)

Investments in subsidiaries

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

The item“Investments in subsidiaries” in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to “Reserve for net revaluation under the equity method“ under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Other fixed asset investments

Other fixed asset investments consist of rent 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.

Notes to the Financial Statements

16 Accounting Policies (continued)

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.

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.

Notes to the Financial Statements

16 Accounting Policies (continued)

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 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.

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

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.

Notes to the Financial Statements

16 Accounting Policies (continued)

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	$\frac{\text{Profit before financials x 100}}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$